

PARADOX OR PRUDENCE? ANALYZING THE COHERENCE OF THE US'  
CHINA STRATEGY

BY  
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## APPROVAL

The undersigned certify that this thesis meets master's-level standards of research, argumentation, and expression.

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## DISCLAIMER

The conclusions and opinions expressed in this document are those of the author. They do not reflect the official position of the US Government, Department of Defense, the United States Air Force, or Air University.

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## ABSTRACT

This paper is an analysis of the coherence of the “engage but hedge” strategy the US has employed towards China for nearly 25 years. Superficially, the approach appears to be paradoxical: on one hand, the US has supported a broad range of economic and other engagement with China that has enabled China’s rapid, sustained economic development. On the other hand, China’s concurrent military modernization has led to regional and US concerns regarding how China intends to use its growing power. These concerns have led the US to adopt a hedging strategy towards China as exemplified by its long-standing arms embargo and the recently announced rebalancing of US military forces toward the Asia-Pacific region. Simply put, given the apparent paradox of these elements of the US approach, does the US’ strategic approach towards China make sense?

The thesis of this paper is that given the tremendous uncertainty regarding the ultimate nature of China’s rise, the US’ “engage but hedge” strategy towards China is indeed prudent and coherent. Theoretical and scenario-based analyses illustrate how together, the two elements provide US policymakers with the spectrum of policy options required to mitigate the negative effects of what might otherwise be a very tumultuous period for the international community. Getting China strategy right is crucial because the US will face few challenges more consequential in the coming decades than those posed by China’s resurgence.

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## INTRODUCTION

*Let China sleep, for when she wakes  
she will shake the world*

--Napoleon Bonaparte

The United States faces few long-term foreign policy issues more challenging than the rise of China. China's rise is taking place during a maelstrom of global and domestic social change caused by revolutions in communications and information technology, economic interdependence, and growing influence from an ever-expanding list of non-state and transnational forces. At the same time, the context for China's rise continues to include legacy international relations issues such as perceptions of insecurity, conflicting national interests, differing political ideologies, and distinctive cultural identities. This contextual complexity combined with the abundance of contradictory observations and opinions regarding China itself, means that observers can, at best, only characterize China's future as uncertain.<sup>1</sup>

For US strategists charged with formulating US China policy, this uncertainty denies distillation of US China strategy down to a simple friend or foe approach. Reflective of this complexity and uncertainty, the US strategy towards China that has emerged over the last two decades is one of simultaneous engaging and hedging.<sup>2</sup> Regarding this US strategy towards China, Professor Aaron Friedberg of Princeton University wrote, "In contrast to its Cold War strategy of containment, Washington's current approach to China is not the product of a deliberate planning

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<sup>1</sup> Aaron L. Friedberg, "The Future of US-China Relations: Is Conflict Inevitable?" *International Security* 30, no. 2 (Fall 2005): 8.

<sup>2</sup> David Shambaugh and Karl F. Inderfurth, "China and the US: To Hedge or Engage," *Yale Global Online*, April 11, 2007, <http://yaleglobal.yale.edu/content/china-and-us-hedge-or-engage> (accessed January 23, 2013).

process. Indeed, it does not even have a name.”<sup>3</sup> Within US China policy circles, one frequently hears observations regarding the lack of coherence in the US approach towards China. One of the common criticisms of the US’ unarticulated policy is that it appears to be paradoxical and, possibly, self-defeating.<sup>4</sup> While the US intends the “engage” portion of the strategy to prod China’s economic and political liberalization, engagement also provides China’s authoritarian leadership with the wealth needed to fund the sustained modernization of its military and internal security apparatus. This in turn has spawned regional concerns about China’s future intentions and caused the US to “hedge” against China’s potential use of its increasing military power to undermine the stability of the US-led regional security architecture.

Despite the seeming paradox of this strategic approach, the US’ “engage but hedge” strategy towards China is indeed coherent and, given the limited alternatives, the most prudent strategy the US can adopt. Taken together, the “engage” and “hedge” aspects of US China policy provide the US with an effective strategy in depth that accounts for the various potentialities of China’s future course. Properly harmonized, engage but hedge allows for the practical, flexible application of US instruments of power (IOPs) to mitigate the negative effects of China’s rise on the security and stability of the international community.

This thesis will explain and then demonstrate the coherence of the US’ engage but hedge strategy towards China. Any examination of the strategy must first address the strategic context of the US-China relationship. Chapter 1 therefore identifies the core contextual issues that explain how the bilateral relationship arrived at its current state, describes Chinese and US strategic interests and further explains the US

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<sup>3</sup>Aaron L. Friedberg, “Bucking Beijing: An Alternative to US China Policy,” *Foreign Affairs* 91, no. 5 (2012): 48.

<sup>4</sup> For further analysis of the pitfalls of engagement with China, see James Mann, *The China Fantasy: How Our Leaders Explain Away Chinese Repression* (New York: Viking Penguin, 2007).

engage but hedge strategy. Chapters 2 and 3 employ a theoretical pluralism approach to analyze the rationale behind the US' engaging and hedging towards China. International relations (IR) theory—in particular, the schools of realism and liberalism—offer useful lenses through which we may better identify the core issues of the bilateral relationship. Indeed, the complexity of the US-China relationship requires the combined insights provided by both theoretical schools to provide a more holistic perspective of the challenges the US faces and the policy prescriptions required. Chapter 4 applies the engage but hedge strategy to three future scenarios for China's rise. While each scenario reveals the need to emphasize certain aspects of the strategy over others, all scenarios reveal that both elements remain crucial components of the US approach. Finally, chapter 5 distills lessons from the preceding analyses for consideration by US policymakers. Given the complexity, tensions, and potential repercussions of the US-China relationship, the US faces no larger strategic challenge in the coming decades.

## CHAPTER 1

### The Strategic Context of US-China Relations

*Historically, rising powers cause war not necessarily because they are innately belligerent, but because the reigning powers mishandle those who challenge the status quo in one way or another.*

--Susan L. Shirk

China's rise is certainly challenging the status quo, and not just "in one way or another" as Susan Shirk wrote above, but in almost every way. Deng Xiaoping's "reform and opening up" [*gaige kaifang*] policies, enacted in December 1978, unleashed a torrent of pent-up forces that continue to transform China and are causing a reshuffling of the world power structure some thirty-five years later. As the "reigning power," the United States cannot afford to mishandle China's challenge to the status quo. Poorly handled, the relationship has the potential to devolve into a new cold war.<sup>1</sup> Conversely, "a deepening US-China entente could bring with it increased possibilities for sustained worldwide economic growth, the peaceful resolution of outstanding regional disputes, and the successful management of pressing global problems, including terrorism and the proliferation of weapons of mass destruction."<sup>2</sup> In order to avoid mishandling China's challenge, US strategists must first understand, as much as possible, what is actually happening. The focus of this chapter, therefore, is to describe the salient strategic contextual factors for China's rise and identify several core issues in preparation for later analysis of US China policy. These contextual issues lay out the main points of conflict in the bilateral relationship and establish the need for a broad, flexible US strategic construct.

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<sup>1</sup> Friedberg, "The Future of US-China Relations," 8.

<sup>2</sup> Friedberg, "The Future of US-China Relations," 8.

## **Systemic Context: The International System and its Dominant Ideology**

It is important to understand two interrelated elements pertaining to the international and regional contexts of China's rise. First, China's rise is taking place within a unipolar international power structure over which the United States, for the present at least, presides. Second, liberal democracy plays an increasingly dominant role in the international community.<sup>3</sup> Even before the sudden collapse of the Soviet Union in 1991 officially left the United States as the sole remaining superpower, the US had been presiding over an international system comprised of growing numbers of states possessing liberal democratic forms of government.<sup>4</sup> As the leading liberal state, the US has used its relative preponderance of diplomatic, military and economic power to establish international institutions and norms of behavior consistent with its liberal values, acceptable to most other states, but also conducive to maintaining its place atop the international system.<sup>5</sup> Of note, each of the great power states falling somewhere beneath the US in the international power rankings has a more or less democratic form of government—the sole exception being China.<sup>6</sup>

In addition to the dominance of liberal states in the international system, liberal democracy has also played a role in the pattern of conflicts involving the United States in the last twenty years. Inter-state conflict during the American unipolar era has occurred primarily between US-led coalitions and illiberal states accused of violating certain norms of international behavior. Examples of these conflicts include US-

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<sup>3</sup> Gideon Rose, "Democracy Promotion and American Foreign Policy," *International Security* 25, no. 3 (Winter 2000/01): 188.

<sup>4</sup> Michael W. Doyle, *Ways of War and Peace* (New York: W.W. Norton and Company, Inc., 1997), 261-264.

<sup>5</sup> G. John Ikenberry, *After Victory: Institutions, Strategic Restraint, and the Rebuilding of Order After Major Wars* (Princeton: Princeton University Press, 2001), 50-51.

<sup>6</sup> Jeffrey W. Legro, "What China Will Want: The Future Intentions of a Rising Power," *Perspectives on Politics* 5, no. 3 (September 2007): 517.

led actions against Iraq in 1990-91, against Serbia over Bosnia and Kosovo in the 1990s, Afghanistan and Iraq again in 2001 and 2003 respectively, and most recently in Libya in 2011. Regardless of what other factors may have been in play in each of these cases, the US has shown a willingness to employ its preponderant power against illiberal states in pursuit of its own security interests and in the name of international stability and prosperity. As of April 2013, the US' most acute security concerns, not surprisingly, stem from relations with authoritarian regimes in Iran, North Korea, and Syria.

The US' security treaties with other states also reflect its liberal values. The US reserves its defense treaty obligations for other liberal democracies as exemplified by the North Atlantic Treaty Organization (NATO) and by the bilateral hub and spoke security structure in the Asia-Pacific Region. Within the Asia-Pacific region, the US maintains close security relationships with its five treaty allies: Australia, Japan, South Korea, the Philippines and Thailand. Despite the fact that these Asia-Pacific treaties are all post-WWII and Cold War conceptions, they have endured through the decades and continue to serve as cornerstones of security planning for those countries and the US. This is especially true as they pertain to the changing regional security dynamics accompanying China's rise. Given the persistent historical grievances between states in the region, the US plays an important role as the hub of regional security cooperation. The US, in cooperation with its allies and partners, has provided the security and stability that have underpinned the region's economic prosperity. This economic prosperity has in turn facilitated the political liberalization of states like South Korea, Taiwan, Indonesia, and others.

To be sure, China has reaped benefits from the US-led international and regional order as well. Scholars Andrew Nathan and Andrew Scobell write, "The United States has done more than any other power to contribute to China's modernization. It has drawn China into

the global economy; given the Chinese access to markets, capital and technology; trained Chinese experts in science, technology, and international law; prevented the full remilitarization of Japan; maintained the peace on the Korean peninsula; and helped avoid war over Taiwan.”<sup>7</sup> These benefits have translated directly into economic growth. Relative regional stability has allowed China to pursue an export-oriented growth model similar to the development models followed by Japan, South Korea, Taiwan and other Asian states. The results, as generally acknowledged, have been spectacular. China’s GDP has increased more than tenfold in the last thirty-five years, surpassing Japan’s GDP, on purchasing power parity (PPP) basis, to become the world’s second largest economy in 2001 and allowing China to claim the title of world’s largest exporter in 2010.<sup>8</sup>

Despite the extended duration of regional security and the associated economic benefits, China’s leaders feel profoundly insecure about the current international power structure for two reasons. First, China’s leaders feel constrained by US power. Following the Soviet Union’s collapse, they expected a rapid transition to a multipolar world order in which China could escape the constraints it experienced under Cold War bipolarity.<sup>9</sup> Professor Avery Goldstein of the University of Pennsylvania further explains what happened:

But because the international distribution of power put the United States at such a dramatic advantage, after briefly entertaining the unrealistic hope of a quick shift to multipolarity, China’s leaders reluctantly resigned themselves to a very long period of transition. By the mid-1990s they were concluding that the process would take at least several decades. In addition, it had become clear that

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<sup>7</sup> Andrew J. Nathan and Andrew Scobell, "How China Sees America: The Sum of Beijing's Fears," *Foreign Affairs* 91, no. 5 (2012): 34.

<sup>8</sup> Central Intelligence Agency World Factbook, *China*, January 16, 2013. <https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html> (accessed January 20, 2013).

<sup>9</sup>Avery Goldstein, *Rising to the Challenge: China's Grand Strategy and International Security* (Stanford: Stanford University Press, 2005), 24.

the challenges they faced while fostering a transition away from unipolarity would be especially tough. Not only because China would have to sustain its recently impressive record of economic growth for several more decades if it were going to emerge as one of the great powers in a future multipolar world order, but also because by the mid-1990s China's increasing, yet still quite limited, capabilities had *already* begun to elicit worried reactions from the United States and its Asian neighbors.<sup>10</sup>

China has indeed sustained its economic growth and it has done so, at least partly, in pursuit of its stated goal for a multipolar world order. While China has since toned down its originally strident calls for transition to multipolarity, it remains a primary component of China's vision for the international order.<sup>11</sup> China's latest biennial *Defense White Paper*, for example, declares, "The progress toward economic globalization and a multipolar world is irresistible."<sup>12</sup> This long-term foreign policy goal does much to explain the otherwise murky motives behind many of China's diplomatic, economic and military behaviors. As Aaron Friedberg described, "Chinese officials have not been content to remain passive. They have sought incremental advances, slowly expanding China's sphere of influence and strengthening its position in Asia while working quietly to erode that of the United States."<sup>13</sup>

The second reason for China's leadership insecurity is related closely to the first: Chinese leaders are, above all else, committed to maintaining Chinese Communist Party (CCP) rule and this puts them at ideological odds with the international community.<sup>14</sup> Unlike other regimes that have followed economic liberalization with political liberalization, the CCP continues to closely manage the former and resist the latter. This discomfort with both the unipolar power structure and

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<sup>10</sup> Goldstein, *Rising to the Challenge*, 24.

<sup>11</sup> Shirk, *China: Fragile Superpower*, 241.

<sup>12</sup> Information Office of the State Council of the People's Republic of China, *China's National Defense in 2010*, White Paper, Beijing: 2011.

<sup>13</sup> Friedberg, "Bucking Beijing," 49.

<sup>14</sup> Shirk, *China: Fragile Superpower*, 8.

the dominant political ideology presents challenges to the status quo. Professor Jeffrey Legro wrote,

This trait suggests tensions and disagreement with emergent norms of international society regarding human capital and political rights...To the extent democracy becomes a defining feature of international society—and countries are forced to choose between democracies and non-democracies—China might indeed become a revisionist power. Indeed, some have argued (and China has not disagreed) that China offers a different model of development—"the Beijing Consensus" that challenges the US dominated "Washington consensus."<sup>15</sup>

In summary, the international power structure and the dominant international political ideology provide a tension-prone context for the bilateral US-China relationship. As Friedberg concludes, "Although they [China's leaders] believe China is on track to become a world power on par with the United States, they remain deeply fearful of encirclement and ideological subversion.<sup>16</sup> These contextual factors influence every other aspect of the bilateral relationship and are the subjects of further theoretical analysis in chapters 2 and 3. Before then, however, it is useful to summarize the bilateral issues that have contributed to the US adoption of the engage but hedge strategy towards China.

### **State-Level Context: Mistrust in the Bilateral Relationship**

Mutual misunderstanding has been present from the beginning of the US-China relationship, but mistrust began in earnest following the Communist expulsion of Chiang Kai-shek's Nationalist forces from the mainland to Taiwan in 1949.<sup>17</sup> US support for Taiwan—now an established democracy—continues to be a thorn in US-China relations to this day, but it is only one of many issues and events causing mistrust over the last sixty years. US politicians were still arguing about "who

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<sup>15</sup> Legro, "What China Will Want," 517.

<sup>16</sup> Friedberg, "Bucking Beijing," 49.

<sup>17</sup> For an excellent account of US-China relations in the first half of the twentieth century, see Barbara Tuchman, *Stilwell and the American Experience in China: 1911-1945* (New York: The MacMillan Company, 1970).

lost China” in June 1950, when the Korean War started.<sup>18</sup> Within five months, major combat operations between People’s Liberation Army (PLA) “volunteers” and US-led United Nations forces were raging on the Korean Peninsula. For the next two decades, US-China relations reflected China’s “tilt” to the Soviet Union and US policymakers generally perceived China as an aggressive member of the communist bloc that had to be contained along with the Soviets. This perception was born in Korea and reinforced by later experiences in places like Vietnam where China provided thousands of tons of war materiel and other direct assistance to the North Vietnamese Army while also serving as a transit hub for even larger Soviet war materiel shipments.<sup>19</sup> Nathan and Scobell relate Chinese perceptions of US actions during those decades, “From 1950 to 1972, the United States tried to contain and isolate China. Among other actions, it prevailed on most of its allies to withhold diplomatic recognition of mainland China, organized a trade embargo against the mainland, built up the Japanese military, intervened in the Korean War, propped up the rival regime in Taiwan, supported Tibetan guerillas fighting Chinese control, and even threatened to use nuclear weapons during both the Korean War and the 1958 Taiwan Strait crisis.”<sup>20</sup>

In contrast to the 1950-1972 period, US-China relations improved dramatically over the next seventeen years. Memories of conflict with China in the Korean War and early years of Vietnam were still relatively fresh in American minds when President Nixon re-opened relations with China in 1972. Nixon’s goals in re-opening US-China relations were

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<sup>18</sup> Jian Chen, *China's Road to the Korean War: The Making of the Sino-Soviet Confrontation* (New York: Columbia University Press, 1994), 48-63.

<sup>19</sup> Stephen P. Randolph, *Powerful and Brutal Weapons: Nixon, Kissinger and the Easter Offensive* (Cambridge, MA: Harvard University Press, 2007), 34, 218-219.

<sup>20</sup> Nathan and Scobell, “How China Sees America,” 38.

“purely geostrategic.”<sup>21</sup> The new bilateral relationship was based primarily upon the shared US-China interest of balancing against the Soviet Union. This mutual interest continued all the way through the 1980s and the presidency of Ronald Reagan. Unfortunately, the end of the 1980s saw what was an increasingly positive US-China relationship once again derailed by a confluence of earth-shaking events. Kenneth Lieberthal, a leading authority on China who has served in both government and academia, explains what happened:

President George H. W. Bush, just inaugurated and planning to move US-China relations to a new level, saw this goal cut short by the brutal suppression of demonstrators at Tiananmen on June 4, 1989. As China transitioned from being America’s darling reforming communist country to being its poster child for communist repression, the Soviet Bloc (and soon afterward, the Soviet Union itself) unraveled...Not only did the Soviet collapse rob US-China relations of their underlying strategic rationale, post-Tiananmen repression in China introduced human rights as a major political factor in the relationship...This made it far more difficult to deal with Beijing, especially as the Chinese connected this human rights agenda directly to an American objective to bring down the Communist Party’s rule. The result was deep mutual distrust.<sup>22</sup>

Tiananmen continues to be a watershed event in US-China relations despite CCP efforts to eradicate it from popular memory in China.<sup>23</sup> Photos of the events—the lone protestor confronting the column of tanks, for example—have become iconic in the west and continue to color US perceptions of the nature of the regime in Beijing. At the same time, M.E. Sarotte’s examination of CCP decision-making during the protests reveals that the limited US response to Tiananmen—an arms embargo and a temporary ban on high level visits—has also colored the

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<sup>21</sup> Kenneth Lieberthal, “Lessons of the 40 Years Since Nixon Went to China,” CNN, February 21, 2012. <http://www.cnn.com/2012/02/21/opinion/lieberthal-china-us-40-years> (accessed February 19, 2013).

<sup>22</sup> Lieberthal, “Lessons of the 40 Years Since Nixon Went to China.”

<sup>23</sup> M.E. Sarotte, “China’s Fear of Contagion: Tiananmen Square and the Power of the European Example.” *International Security* 37, no. 2 (Fall 2012): 156-157.

CCP's perceptions of its relations with the international community.<sup>24</sup> As Sarotte wrote, "The CCP expected 'no real countermeasures' from Washington, thus lowering the cost of taking military action."<sup>25</sup> Superficially, at least, it appeared the US was more interested in profiting from China's economic development than it was in standing up for its liberal values. Indeed, less than one year later, the US administration again renewed China's most-favored-nation trade status and China's economic growth was soon back on track.<sup>26</sup>

In contrast to the success of China's domestic economic development, the decade following Tiananmen Square was a difficult one for CCP foreign policymakers who "seemed to have no coherent, effective foreign policy in Asia."<sup>27</sup> In the mid-1990s, this lack of coherent strategy manifested itself in the way China alienated many of its neighbors through aggressive pursuit of disputed territorial claims and calls for its neighbors to end their alliances with the US.<sup>28</sup> Chinese military threats against Taiwan drew the US into the 1995-1996 Taiwan Straits Crises and further alarmed the region. Joshua Kurlantzik, Fellow at the Council on Foreign Relations, summarized the ineffectiveness of the Chinese approach to its foreign relations when he wrote, "This strategy backfired. Countries across the region condemned Beijing's aggressive behavior and solidified their military links with the United States, drawing the US armed forces closer into the region, and closer to China—exactly what Beijing did not want."<sup>29</sup>

The troubled years of Chinese foreign policy in the 1990s were not wasted on CCP leaders who learned from their mistakes as well as from their successes. The biggest foreign policy success was on the

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<sup>24</sup> Sarotte, "China's Fear of Contagion," 177-178.

<sup>25</sup> Sarotte, "China's Fear of Contagion," 181.

<sup>26</sup> Sarotte, "China's Fear of Contagion," 180.

<sup>27</sup> Joshua Kurlantzik, *Charm Offensive: How China's Soft Power is Changing the World* (New Haven, CT: Yale University Press, 2007), 38.

<sup>28</sup> Kurlantzik, *Charm Offensive*, 38.

<sup>29</sup> Kurlantzik, *Charm Offensive*, 38.

economic front. When the 1997 economic crisis erupted throughout Southeast Asia, China resisted the temptation to devalue its currency in response.<sup>30</sup> Devaluing would have protected China but would have also exacerbated the negative effects Thailand and other countries were suffering. Countries throughout the region greeted China's responsible behavior with appreciation and this positive response motivated Beijing to reappraise its approach to foreign affairs. Kurlantzik observed, "Seizing reefs had turned countries against China, but offering assistance during the financial crisis had won friends."<sup>31</sup>

China's foreign policy reappraisal at the end of the 20th Century led to recognition of twin deficiencies. Simply put, China had neither the soft power nor the hard power to which it aspired. What's more, developing soft power and hard power within an international system dominated longer than expected by the United States would be even more difficult.<sup>32</sup> After internal debate, CCP consensus was that China should focus primarily on the former as a precursor to developing the latter. Thus was born what Kurlantzik and others dubbed China's "charm offensive." The charm offensive was comprised of a concerted focus on "win-win" economic relationships with its international trading partners and reassuring rhetoric regarding China's benign intentions. Chinese leaders formally adopted senior policy advisor Zheng Bijian's conceptions of a "peaceful rise" [*heping jueqi*] designed to express "both a confidence and an acknowledgment that China is a rising power but also asserts that China's emergence will not be disruptive."<sup>33</sup> By 2000, this approach to its foreign affairs was yielding benefits in the form of improved relations with its neighbors.

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<sup>30</sup> Kurlantzik, *Charm Offensive*, 35.

<sup>31</sup> Kurlantzik, *Charm Offensive*, 38.

<sup>32</sup> Goldstein, *Rising to the Challenge*, 119.

<sup>33</sup> Bates Gill, *Rising Star: China's New Security Diplomacy* (Washington, DC: Brookings Institution Press, 2007), 7.

In his November 2002 report to the 16<sup>th</sup> Chinese Communist Party Congress, then-President Jiang Zemin declared, “An overview of the situation shows that for our country, the first two decades of the twenty-first century are a period of important strategic opportunities, which we must seize tightly and which offer bright prospects.”<sup>34</sup> In assessing China’s “strategic opportunity,” Jiang was also accounting for the state of China’s relationship with the United States. While the economic aspect of the bilateral relationship soon recovered following Tiananmen, the security aspect of the relationship remained mired in mutual suspicion that affected the broader relationship. Tensions between the US and China had flared again with the accidental US bombing of the Chinese embassy in Belgrade during the Kosovo crisis in 1998. US-China relations took another downturn following the April 2001 mid-air collision between a Chinese fighter and a US EP-3 aircraft over the South China Sea. These incidents once again brought unwelcome tension to the region and threatened to place the bilateral relationship on a downward spiral. The events of 11 September 2001, however, helped reverse—or at least postponed—the negative trend in US-China relations, as the US sought cooperation in the Global War on Terror and concentrated its attention on wars in Afghanistan and then Iraq.<sup>35</sup> US focus on the greater Middle East allowed US-China security tensions to subside, while the bilateral trade relationship continued its rapid growth. By the time of his speech in 2002, Jiang sensed that China was in a unique strategic position from which it could proceed with its comprehensive national development. With US attention diverted elsewhere, China could steadily strengthen its diplomatic, economic and

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<sup>34</sup> Jiang, Zemin. *Full Text of Jiang Zemin's Report to the 16th Party Congress*, November 18, 2002. [http://news.xinhuanet.com/english/2002-11/18/content\\_632550.htm](http://news.xinhuanet.com/english/2002-11/18/content_632550.htm) (accessed January 21, 2013).

<sup>35</sup> Shirk, *China: Fragile Superpower*, 241.

military instruments of power relatively free from significant interference by the distracted US hegemon.<sup>36</sup>

Unfortunately, China's window of "strategic opportunity" appears to be closing sooner than Jiang expected, due to renewed missteps in Chinese foreign relations. In 2009, China's foreign policy actions reverted to the types of actions that had been so counterproductive in the 1990s. In the last four years, China has engaged many of its neighbors and the US in a long series of confrontations over disputed maritime and territorial claims.<sup>37</sup> It antagonized South Korea in 2010 by refusing to condemn two blatant North Korean attacks that killed more than 50 South Korean military personnel and two civilians. In 2011, China promptly jailed the first-ever Chinese winner of the Nobel Peace Prize, democracy activist Liu Xiaobo, and stepped up censorship of Chinese and foreign media inside the country. These incidents, along with many others, have prompted "near-universal condemnation of Chinese diplomacy" and led one scholar to declare in late 2011, "At no time since the end of the Cold War have US-China relations been worse."<sup>38</sup>

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<sup>36</sup> Shirk, *China: Fragile Superpower*, 244-245.

<sup>37</sup> China's expansive claims in the South China Sea have resulted in ship-ship confrontations with the Philippines, Vietnam and Singapore as well as US Navy vessels exercising right of passage through the sea. Of equal or greater worry are the increasingly strident Chinese confrontations with Japan over the Diaoyutai/Senkaku Islands in the East China Sea. In 2010, Japan arrested the captain of a Chinese fishing boat that rammed a Japanese Coast-Guard vessel in waters surrounding the Japan-administered islands. China subsequently halted the export of vital rare earth minerals to Japan until Japan released the captain. In January 2013, Japan scrambled fighter aircraft in response to Chinese aircraft flying near the islands. In February, Japan accused a Chinese naval vessel of locking its target tracking radar on one of its naval vessels; For more information, see Stephanie Kleine-Ahlbrandt, "China: New Leaders, Same Assertive Foreign Policy," *CNN: On China*, March 8, 2013, <http://www.cnn.com/2013/03/08/opinion/china-foreign-policy-kleine-ahlbrandt> (accessed May 4, 2013). China and India have also recently experienced heightened tensions over the disputed Arunachal Pradesh territory that was the subject of the brief Sino-Indian War in 1962; see The Economist, "India and China: Unsettled for a Long Time Yet," *The Economist*, October 20, 2012, <http://www.economist.com/news/asia/21564861-fifty-years-after-nasty-high-altitude-war-border-dispute-remains-unresolved> (accessed May 4, 2013).

<sup>38</sup> Robert S. Ross, "Chinese Nationalism and Its Discontents," *The National Interest*, November/December 2011: 45-46.

There are two contending explanations for what has prompted China's "strident diplomacy."<sup>39</sup> The first argument holds that the rise in China's comprehensive national power has provided the confidence to act more assertively vis-à-vis its weaker neighbors. China's defense spending has increased from approximately \$30 billion in 2000 to as high as \$160 billion in 2012 and the PLA's new capabilities have been noted with great concern across the region.<sup>40</sup> Moreover, belligerent comments by Chinese state run media, PLA officers and diplomats add to concerns about how China may use its newfound power. As Chinese foreign minister Yang Jiechi undiplomatically put it in 2010, "China is a big country and other countries are small countries and that is just a fact."<sup>41</sup>

The second explanation holds that China's actions, rather than being manifestations of its growing power, are actually manifestations of weakness. Boston College Professor Robert Ross explains:

The source of all this strident Chinese diplomacy is not its emergence as a regional great power with corresponding confidence in its new capabilities. Rather, China's new diplomacy reflects the regime's spiraling domestic confidence and its increasing dependence on nationalism for domestic stability...Economic instability and the erosion of the Communist Party's control over society are occurring simultaneously. This domestic weakness has forced the government to rely more and more on nationalism for regime legitimacy—and it explains Beijing's diplomatic blundering.<sup>42</sup>

Indeed, for all the talk of China's rise, China's weakness is a matter that deserves additional attention.

China's leaders face mounting problems that, left unresolved, could derail its continued economic development, threaten its political

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<sup>39</sup> Ross, "Chinese Nationalism and Its Discontents," 46.

<sup>40</sup> The Economist, "The Dragon's New Teeth: A Rare Look Inside the World's Biggest Military Expansion," *The Economist*, April 7, 2012, <http://www.economist.com/node/21552193> (accessed February 21, 2013).

<sup>41</sup> The Economist, "The Dragon's New Teeth."

<sup>42</sup> Ross, "Chinese Nationalism and Its Discontents," 46-47.

stability, and bleed beyond its borders to destabilize the region. The list of problems typically begins with China's demographic pressures. The one-child policy enacted in 1979 has created new problems in the form of a rapidly aging population with its attendant costs being born by a concurrently shrinking work force.<sup>43</sup> Further issues on the list include serious environmental degradation, income inequality, political corruption, scandals and perceived divisions within the CCP, and perhaps most pertinent, growing domestic and international expectations for reforms.<sup>44</sup> Susan Shirk's 2007 observation is even more valid in 2013, "China may be an emerging superpower, but it is a fragile one. And it is China's internal fragility, not its economic or military strength, that presents the greatest danger to us."<sup>45</sup>

China must deal with these issues at the same time the US is experiencing its own extended economic weakness in the wake of the 2008 economic crisis. This is a problem because the symbiotic economic ties between the two countries are greater than ever. The US is China's single largest export market while China is the US' third largest export market behind Canada and Mexico.<sup>46</sup> China is also the largest foreign holder of US debt, essentially financing US deficit spending while also allowing US consumers to continue purchasing Chinese exports.<sup>47</sup> Because China's economic growth remains dependent upon manufacturing and exporting, any weakness in major foreign markets translates into economic weakness at home. Moreover, the nature of the CCP's relationship to China's "state capitalist" system is such that

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<sup>43</sup> Minxin Pei, "Superpower Denied? Why China's 'Rise' May Have Already Peaked," *The Diplomat*, August 9, 2012, <http://thediplomat.com/2012/08/09/superpower-denied-why-chinas-rise-may-have-already-peaked/> (accessed February 20, 2013).

<sup>44</sup> Pei, "Superpower Denied? Why China's 'Rise' May Have Already Peaked."

<sup>45</sup> Shirk, *China: Fragile Superpower*, 6.

<sup>46</sup> Central Intelligence Agency World Factbook, *China*, January 16, 2013. <https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html> (accessed January 20, 2013).

<sup>47</sup> United States Department of the Treasury, "Major Foreign Holders of Treasury Securities," *Treasury.gov*, February 15, 2013, <http://www.treasury.gov/resource-center/data-chart-center/tic/Documents/mfh.txt> (accessed February 21, 2013).

economic weakness easily translates into erosion of confidence in the CCP.<sup>48</sup> This then leads to the problems described earlier wherein the CCP leverages nationalistic sentiment to solidify popular support. Lieberthal summarizes the current state of the relationship, “US-China relations now encompass real interdependence but also deep mutual distrust, with unusually large uncertainties about each country’s future prospects—including the future power balance.”<sup>49</sup>

### **The US’ Engage but Hedge Strategy**

Unlike its formally articulated policy of containment during the Cold War, the US has adopted, either by chance or by calculation, a more expansive approach to its relations with China. Cold War containment was a comprehensive effort that included keeping the Soviet Union economically as well as geopolitically weak. The struggle between the US and the Soviet Union was for nothing less than global ideological dominance and, as such, it was characterized by both sides as an existential threat as exemplified by its nuclear brinkmanship. US-China relations on the other hand, despite their troubles, do not approximate US-Soviet tensions by any measure. US ideological victory in the Cold War and its relative power advantage, have allowed the US to take a longer view of its relationship with China.

The US’ strategic approach to China—like any good strategy—is intended to promote positive continuity in the US-China relationship through proper coordination of ends, ways, and means. Given the complexity, mistrust, and uncertainty in the relationship, US policymakers require a spectrum of flexible policy options incorporating the full range of IOPs—diplomatic, informational, military and economic. The strategic manner in which the US has employed these IOPs vis-à-vis China is best described as engaging but hedging. The phraseology implies that engagement is the primary component of the US strategy,

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<sup>48</sup> Pei, "Superpower Denied? Why China's 'Rise' May Have Already Peaked."

<sup>49</sup> Lieberthal, "Lessons of the 40 Years Since Nixon Went to China."

but just as an investor hedges his primary investments by placing some of his assets in a contrary position, uncertainty about China causes the US to do the same in case the engagement strategy should fail.

Engagement comprises the vast majority of the US-China relationship and bespeaks a certain optimism and practicality in US perceptions of China. It includes all aspects of the tremendous amount of activity taking place in the diplomatic, information and economic realms of the relationship and at the interstate, state, and individual levels of analysis. Engagement consists of direct diplomatic interaction at the United Nations Security Council, the Six Party Talks, the Strategic and Economic Dialogue and hundreds of other forums. It includes the approximately 725,000 Chinese university students attending US universities and the tens of thousands of US students studying abroad in China.<sup>50</sup> Perhaps most crucially, it includes annual bilateral trade and commerce worth hundreds of billions of dollars and the human relationships that make it possible. From the US perspective, a stable military-to-military relationship is also a desired component of the engagement relationship; but in practice, this remains limited and problematic. In sum, engagement consists of policies that facilitate the evolutionary processes taking place concurrently across China's economy, society, and government.

Hedging, on the other hand, takes place primarily in the military and diplomatic realms of the relationship. It bespeaks concerns about the nature of China's government and decisions it may make inimical to regional stability and the present world order. Hedging is enabled primarily by US military strength but also by the strength of the US' security alliances and partnerships in the Asia-Pacific. It includes the US' regional force posture and security cooperation with partners and US

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<sup>50</sup> Alexis Lai, "Chinese Flock to Elite US Schools," *CNN.com*. November 26, 2012, <http://www.cnn.com/2012/11/25/world/asia/china-ivy-league-admission> (accessed February 21, 2013).

allies in a wide number of activities ranging from humanitarian assistance and disaster relief (HA/DR) to combined bilateral and multilateral exercises. Conceptually, hedging also includes such things as development of operational doctrine like Air-Sea Battle with clear application to potential conflict in the Asia-Pacific. In the event of a severe downturn in US-China relations, hedging could expand beyond the military IOP to include more of the other IOPs as well. Hedging is not containment of China. Rather it is prudent adoption of a security posture designed to mitigate the potential destabilizing consequences of China's resurgence in the existing regional and international order. This paper contends hedging buys the time for engagement's evolutionary processes to take place. If those evolutionary processes do not occur as expected, then hedging has still preserved security policy options for the US and its regional partners and allies.

The US' China policy goals are consistent with leadership statements to the effect that the US "welcomes a strong, prosperous and successful China that plays a greater role in world affairs."<sup>51</sup> The portion of the 2010 US National Security Strategy devoted to China clearly recognizes the uncertainty dilemma regarding the future of the relationship, and captures both the engage and hedge aspects of US China strategy:

We [the US] will continue to pursue a positive, constructive and comprehensive relationship with China. We welcome a China that takes on a leadership role in working with the United States and the international community to advance priorities like economic recovery, confronting climate change, and nonproliferation. We will monitor China's military modernization program and prepare accordingly to ensure that US interests and allies, regionally and globally, are not negatively affected. More broadly, we will encourage China to make choices that contribute to peace, security, and

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<sup>51</sup> Barack Obama and Hu Jintao, "US-China Joint Statement," *The White House Office of the Press Secretary*, January 19, 2011, <http://www.whitehouse.gov/the-press-office/2011/01/19/us-china-joint-statement> (accessed January 23, 2013).

prosperity as its influence rises...We will encourage continued reduction in tension between the People's Republic of China and Taiwan. We will not agree on every issue, and we will be candid on our human rights concerns and areas where we differ. But disagreements should not prevent cooperation on issues of mutual interest because a pragmatic and effective relationship between the United States and China is essential to address the major challenges of the twenty-first century.<sup>52</sup>

The 2010 National Security Strategy reflects recognition of China's resurgence and admission that there must follow some reshuffling of the international order. As the sole superpower, the US has indicated cautious willingness to make room for China at the table of great powers, but the uncertainty and mistrust continue and, without careful management by both sides, the possibility of conflict remains. Given the contextual factors of US-China relations described in this chapter, one can better understand the challenges facing US policymakers in formulating an effective strategy of sufficient depth and breadth to address relations with China. The application of international relations theory to "engage but hedge" clarifies the ends, ways, and means of the US approach and demonstrates the theoretical coherence of the strategy. This is the subject of the next two chapters.

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<sup>52</sup> Barack Obama, *National Security Strategy of the United States of America*, Washington, DC: The White House, 2010.

## CHAPTER 2

### Theoretical Rationale for Engagement with China

*Tomorrow's China will be a country that fully achieves democracy, the rule of law, fairness, and justice. Without freedom, there is no real democracy. Without guarantee of economic and political rights, there is no real freedom.*

--Former Chinese Premier Wen Jiabao

The US bases its engagement with China on faith in the ultimate efficacy of ideas propounded by the international relations theoretical school of liberalism. China, as this chapter describes, presents a significant test case for the application of liberal theory to foreign affairs policy. Liberalism's tenets provide significant explanatory power for why the US has chosen to engage China despite the mistrust and uncertainty present in the relationship. This chapter will summarize the key tenets of liberalism, demonstrate how they apply to the US' strategy of engagement with China and, finally, assess the effectiveness of engagement thus far.

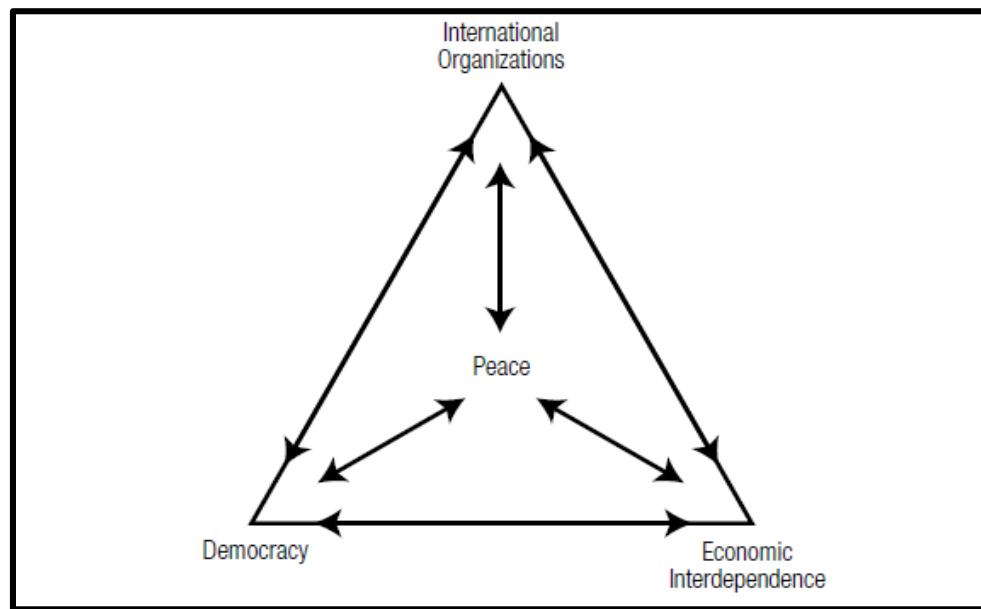
#### **Liberal International Relations Theory**

Liberal international relations theory has matured to include a broad array of interrelated sub-theories. In order to understand better the relationship between liberal theory and US engagement with China, one must start with a brief summary of the basic tenets of liberalism. In their book *Triangulating Peace*, Bruce Russett and John Oneal trace the three elements of liberal theory to the late 18<sup>th</sup> century and Immanuel Kant, who proposed that economic interdependence, international organizations, and democracy combine to promote peace.<sup>1</sup> Each of these elements of the "Kantian Triangle" have received the concerted attention

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<sup>1</sup> Bruce Russett and John Oneal, *Triangulating Peace: Democracy, Interdependence, and International Organizations* (New York: W. W. Norton and Company, Inc., 2001).

of many other political and economic philosophers in the intervening centuries. Consequently, a rich literature exists that explains how these tenets of liberalism, as individual sub-theories and in combination with each other, serve to foster peace in the international system.<sup>2</sup>



**Figure 1: The Kantian Triangle**

Source: Reprinted from Russett and Oneal, *Triangulating Peace*, 35.

The proposition that economic interdependence breeds peace—or the “commercial pacifism” school as Columbia University Professor Michael Doyle calls it—also dates to the late 18<sup>th</sup> century when Adam Smith, Thomas Paine, and other Kantian contemporaries expounded on it in their own economic and political writings.<sup>3</sup> Theorists of this school hold the view that “market societies are fundamentally against war,” because war is a wasteful activity whose costs are not worth the

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<sup>2</sup> For additional reading on liberalism and democratic peace theory, see R.J. Rummel, *Power Kills: Democracy as a Method of Nonviolence* (New Brunswick, NJ: Transaction Publishers, 1997) and R.J. Rummel, "Libertarianism and International Violence," *The Journal of Conflict Resolution*, 27 (March 1983): 27-71. See also Michael W. Doyle, "Kant, Liberal Legacies, and Foreign Affairs," *Philosophy and Public Affairs*, Vol. 12, No. 3 (Summer, 1983), pp. 205-235.

<sup>3</sup> Michael W. Doyle, *Ways of War and Peace* (New York: W.W. Norton and Company, Inc., 1997), 230.

benefits.<sup>4</sup> Similarly, interdependence between states for markets, and the free flow of natural resources and other commerce tends to increase resistance to belligerent state policies that may harm a state's economic interests with other states.<sup>5</sup> Economic interdependence thus creates a rationale and provides a certain impetus for increasing interstate cooperation through negotiation in matters of mutual interest that may not exist otherwise.<sup>6</sup>

The pacifying effects of economic interdependence between states are accompanied by liberalizing effects within a state. Adam Smith's laissez faire theories not only make markets more efficient and self-regulating, but they also support expansion of individual liberties in a state that adopts free market economic policies.<sup>7</sup> Doyle explains further, "Commerce can not only lead to individual material and psychic 'happiness' but can also bring 'perfection' by allowing the exercise of moral liberty—the freedom to choose—in a civil society. A society that permits 'natural liberty' allows individuals to shape their own lives free from the need to submit to a feudal lord. The alternative to a free society...is paternalistic statism—ill informed, inefficient, usually corrupt, potentially violent, and morally degrading coercion."<sup>8</sup> The argument is that because free societies are more competitive economically, less free societies are induced to seek greater individual liberties by the need to compete in the international market. As a state accrues wealth from its international commerce, members of society within that state will begin to seek greater protection of their wealth from vicarious state predations. The expanding demand for a say in

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<sup>4</sup> Doyle, *Ways of War and Peace*, 230-231, 237.

<sup>5</sup> Russett and Oneal, *Triangulating Peace*, 25-26.

<sup>6</sup> Robert O. Keohane, *After Hegemony* (Princeton: Princeton University Press, 1984), 49-52.

<sup>7</sup> Adam Smith, "An Inquiry into the Nature and Causes of the Wealth of Nations," In *The Essential Adam Smith*, edited by Robert L. Heilbroner, 149-320, (New York: W.W. Norton and Company, 1986), 253.

<sup>8</sup> Doyle, *Ways of War and Peace*, 233.

governance typically spawns a gradual trend towards liberalization in authoritarian states.

In theory, economic interdependence has a pacifying effect on the international system as well as a liberalizing effect within states. In practice however, economic interdependence is still subject to buffeting from multiple forces stemming from on-going competition between states. Adam Smith, for example, recognized that zero-sum mercantilist practices by one state within a free trade system could cause security problems as states perceived relative disparities in the benefits of their commerce with each other.<sup>9</sup> Scholars commonly cite the tremendous economic interdependence that existed between states prior to World War I to exemplify how interdependence does not preclude conflict. Modern liberal theory concedes that economic interdependence is necessary but not always sufficient to achieve the pacifying and liberalizing effects described here. To bolster the benefits of economic interdependence, states—especially since the end of World War II—build international institutions or regimes.

International regimes are “sets of implicit or explicit principles, norms, rules and decision-making procedures around which actors’ expectations converge in a given area of international relations.”<sup>10</sup> In the absence of an overarching enforcement authority in the international system—the condition known as anarchy in IR theory—international institutions make it possible for states to mitigate the danger and uncertainty inherent in the international system and to cooperate in mutually beneficial ways. Robert Keohane wrote:

Thus international regimes are useful to governments. Far from being threats to governments, they permit governments to attain objectives that would otherwise be unattainable. They do so in part by facilitating intergovernmental agreements. Regimes facilitate agreements by raising the

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<sup>9</sup> Doyle, *Ways of War and Peace*, 234-236. See also Smith, *Wealth of Nations*, 287.

<sup>10</sup> Keohane, *After Hegemony*, 57.

anticipated costs of violating others' property rights, by altering transaction costs through the clustering of issues, and by providing reliable information to members. Regimes are relatively efficient institutions, compared with the alternative of having a myriad of unrelated agreements, since their principles, rules and institutions create linkages among issues that give actors incentives to achieve mutually beneficial agreements. They thrive in situations where states have common as well as conflicting issues on multiple, overlapping issues and where externalities are difficult but not impossible to deal with through bargaining. Where these conditions exist, international regimes can be of value to states.<sup>11</sup>

States enter into international institutions out of rational self-interest and they stay because the benefits thus derived outweigh the combined material and reputational costs of operating outside the institutions.<sup>12</sup>

The US played a major role in establishing many of the international institutions and regimes born in the wake of World War II. These institutions include the United Nations and the Bretton Woods economic agreements that spawned the International Monetary Fund, the World Bank, and the Global Agreement on Tariffs and Trade (GATT) that later became the World Trade Organization (WTO). As Russett and Oneal note, "these global institutions deserve much credit for the enormous growth in international commerce and interdependence in the second half of the twentieth century."<sup>13</sup> The US was also instrumental in the formation of regional institutions and regimes. For example, the US supported the economic integration of Western Europe by the manner in which it administered Marshall Plan assistance through the Organization for European Economic Cooperation.<sup>14</sup> At the same time, the US-led security institution of the North Atlantic Treaty Organization (NATO) served to foster a security environment conducive to further European

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<sup>11</sup> Keohane, *After Hegemony*, 97.

<sup>12</sup> Keohane, *After Hegemony*, 106-107.

<sup>13</sup> Russett and Oneal, *Triangulating Peace*, 21-22.

<sup>14</sup> Russett and Oneal, *Triangulating Peace*, 26.

economic interdependence. Ultimately, the combination of economic interdependence and international institutions formed a “virtuous cycle” that led to the creation, and expansion, of the European Union.<sup>15</sup> A continent that spawned two world wars in the first half of the twentieth century has become a model for the pacifying effects of economic interdependence and international institutions. Europe has also become a model for how these two tenets of liberalism relate to the third tenet: democracy.

Chapter 1 introduced democracy as a key contextual feature of the international system. Because it plays such an important role in the nature of US-China relations, democracy’s key role in liberal IR theory requires extended attention. Throughout much of history, states were generally monarchic, autocratic, or otherwise authoritarian and enjoyed relatively limited social, economic and political liberality. However, over a period of roughly two centuries, states began to differentiate themselves according to their perceived levels of liberality. Liberality in this case means the extent to which a society has a say in its own governance—its level of democratic participation. These perceptions of state liberality began to influence how states related to each other in the international system.<sup>16</sup> Thus, liberal democratic states following free market capitalist policies found themselves on one side of an international bifurcation in contrast to autocratic states following various forms of command economic policies.<sup>17</sup>

The most important feature of this liberal versus illiberal bifurcation is the observation that, thus far at least, liberal states do not use force to resolve disputes with other liberal states.<sup>18</sup> Michael Doyle explains this democratic peace phenomenon when he wrote, "Liberal

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<sup>15</sup> Russett and Oneal, *Triangulating Peace*, 24-28.

<sup>16</sup> Doyle, *Ways of War and Peace*, 211.

<sup>17</sup> Doyle, *Ways of War and Peace*, 211.

<sup>18</sup> Doyle, *Ways of War and Peace*, 210-211. See also Alexander Wendt, *Social Theory of International Politics* (New York: Cambridge University Press, 1999), 226-227.

states exist under anarchy, but their anarchy is different. Rather than being overwhelmingly a relative contest, a zero-sum game, their contest is a positive- or negative-sum game. They can win or lose together...They can come to appreciate that the existence of other Liberal states constitutes no threat and instead constitutes an opportunity for mutually beneficial trade and (when needed) alliance against non-Liberal states.”<sup>19</sup> Perceptions of interstate relations as “positive-sum” games have yielded dense economic and institutional interrelationships from which the democracies of not only Europe, but also of North America, East Asia, and elsewhere have profited immensely. In measure after measure, the industrial democracies in general are the wealthiest and most economically productive states in the world.<sup>20</sup> Russett and Oneal describe how Immanuel Kant related democracy and economics to peace, “He [Kant] was confident that democracies would be more peaceful than autocracies for a simple reason: in a democracy, those who would bear the costs of a war are the ones who decide whether it shall be fought.”<sup>21</sup>

The open nature of participative governance in liberal democracies contrasts sharply with the opaque, closed governance in illiberal states. These governance differences create “presumptions of amity” between liberal states but “presumptions of enmity” between liberal and illiberal states.<sup>22</sup> The presumption of amity has allowed liberal states to form a “zone of peace,” membership in which is open to the growing number of states transitioning to liberal governance models.<sup>23</sup> The presumption of enmity explains the US behavior towards illiberal states described in Chapter 1. Doyle wrote, “The very constitutional restraint, international respect for individual rights, and shared commercial interests that

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<sup>19</sup> Doyle, *Ways of War and Peace*, 211.

<sup>20</sup> Peter Dicken, *Global Shift: Mapping the Changing Contours of the World Economy* (New York: The Guilford Press, 2011).

<sup>21</sup> Russett and Oneal, *Triangulating Peace*, 273.

<sup>22</sup> Doyle, *Ways of War and Peace*, 282-283.

<sup>23</sup> Doyle, *Ways of War and Peace*, 260.

establish grounds for peace among Liberal states establish grounds for additional conflict irrespective of actual threats to national security in relations between Liberal and non-Liberal societies.”<sup>24</sup>

In summary, the Kantian triangle of economic interdependence, international institutions and democracy forms the core of liberal IR theory. These elements, individually, but even more so in combination with each other, exert economic, social and political pressures conducive to peaceful interactions between liberal states having membership in the “zone of peace.” Relations between liberal and illiberal states remain subject to the negative effects of zero-sum anarchy in the international system. Of note, membership in the zone of peace is not closed. Indeed, states within the zone of peace employ the elements of liberal IR theory in formulating policies designed to encourage states to transition from illiberal economic and political systems to liberal systems and to join the club. Unfortunately, the transition process from authoritarianism to democracy is not always an easy one. Authoritarian elites who benefit from their monopoly on power can be sure to resist such a transition. This is why China presents such an interesting test case for liberal IR theory in general and for the US policy of engagement with China in particular.

### **Liberalism in the US Strategy of Engagement with China**

The tenets of liberal IR theory help illuminate the ends, ways, and means of the US’ engagement strategy towards China. With the caveat that strategy never truly “ends,” the US’ long-term strategic ends, or perhaps better stated, trends, for relations with China revolve around maintaining peace in the relationship. Ultimately, peace in the relationship benefits from China’s transition to a more liberal governance system. The ways of doing this are to incorporate China into the existing economic and political regimes and institutions of the current liberal

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<sup>24</sup> Doyle, *Ways of War and Peace*, 284.

world order. The means by which this is done include various combinations of the diplomatic, informational, military and economic instruments of power possessed by the US and the other members of the liberal order. However, it must also be emphasized that the effectiveness of these instruments of power will be secondary to the liberalizing influences of the engagement process itself. The discussion in this section focuses primarily on the ends of US China policy and the ways the US seeks to achieve these ends. The means are manifest throughout.

Prior to 1979, peace between the US and China was a function primarily of hard power based upon cold geopolitical calculations of the realities of Cold War competition. Liberal IR theory had little opportunity to influence US China policy because of the closed nature of the Chinese command economy and the international seclusion imposed upon Chinese society by Mao Zedong and the CCP. However, Deng Xiaoping's "opening up and reform" policies, proposed in December 1978 and implemented rapidly thereafter, combined with US diplomatic recognition of China in January of 1979, provided an opening for the US to pursue policies based on liberal theory. To be sure, Deng intended his policies to increase China's comprehensive national power, and in so doing, to refurbish the reputation of the CCP so badly tarnished by episodes like the famine during the Great Leap Forward and the chaos of the Cultural Revolution. The "reform" portion of Deng's policies reintroduced free market competition and incentives to the Chinese economy, first in agricultural production and soon thereafter in industrial production.<sup>25</sup> The "opening up" portion reestablished China's economic, educational and other ties with the broader international community for the purposes

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<sup>25</sup> June Teufel Dreyer, *China's Political System: Modernization and Tradition* (New York: Pearson Longman, 2004), 151-161.

of obtaining advanced technology, foreign loans and investment, and expertise across a wide range of fields.<sup>26</sup>

The results of Deng's reforms, as liberal IR theory predicted, were spectacular in terms of their economic benefits as well as in terms of their liberalizing influences on Chinese society. The new feeling of economic and intellectual freedom that accompanied China's rapid economic growth soon manifested itself in calls for political reform commensurate with the economic reforms. A well-known example of this is the "Democracy Wall" movement that took place in 1979 in which people began posting their political opinions to a wall near the Forbidden City in Beijing.<sup>27</sup> Deng's reform plans for agriculture, industry, national defense, and science and technology had been sloganized for public consumption into the "Four Modernizations."<sup>28</sup> Activist Wei Jingsheng used the Democracy Wall to post his calls for a "fifth modernization" of democracy. Wrote Wei, "What is true democracy? It means the right of the people to choose their own representatives [who will] work according to their [the people's] will and in their interests. Only this can be called democracy. Furthermore, the people must also have the power to replace their representatives any time so that these representatives cannot go on deceiving others in the name of the people."<sup>29</sup> The case of Wei Jingsheng and the "fifth modernization" aptly illustrates not only the apparent validity of liberal IR theory, but also the conundrum CCP leaders have faced since 1979. China's economic reforms have spurred broad social changes that are increasingly in tension with the CCP's monopoly on political power. These tensions have erupted periodically as they did during the Tiananmen pro-democracy movement in 1989. While the CCP has thus far suppressed these movements, the tension simmers just

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<sup>26</sup> Jonathan D. Spence, *The Search for Modern China* (New York: W. W. Norton and Company, Inc., 1990), 641-642.

<sup>27</sup> Spence, *The Search for Modern China*, 659-660.

<sup>28</sup> Spence, *The Search for Modern China*, 644-645.

<sup>29</sup> Spence, *The Search for Modern China*, 659-666.

below the surface and each new leadership change raises new expectations for long-awaited political reforms.<sup>30</sup>

This brings us back to the US' long-term objective of peace with China. Although US policy statements regarding China invariably shy away from explicitly stating it, it is clear US policymakers have long pursued engagement with China in order to support the processes of democratic transition within China. One reason the US does not clearly state it seeks democratic transition in China is to avoid needlessly antagonizing the regime with which it must work now. The US desire for political transition in China is not to say the US and China under the CCP are incapable of peaceful relations because they demonstrably are. However, the objective of democracy transition in China recognizes the inherent tensions that exist between liberal and illiberal states and the likelihood that those tensions will increase as China closes the power gap with the US. As early as 1959, US Secretary of State John Foster Dulles articulated a strategy towards the communist bloc countries in which the United States adopted approaches that encouraged the “peaceful evolution” of those regimes.<sup>31</sup> Lieberthal notes that following Tiananmen, “America pursued economic gains in China in part with the hope that these would also lay the foundation for democratic *evolution* [italics added] there.”<sup>32</sup> Indeed, this long-term approach through engagement speaks to the prudent response to Tiananmen from the George H.W. Bush administration. The US response to the CCP-ordered massacre was not long-lasting economic sanctions; rather, it was the rapid

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<sup>30</sup> The Economist, "Xi Jinping: The Man Who Must Change China," *The Economist*, October 27, 2012, <http://www.economist.com/news/leaders/21565210-xi-jinping-will-soon-be-named-china%E2%80%99s-next-president-he-must-be-ready-break> (accessed March 10, 2013).

<sup>31</sup> Zhai Qiang, "1959: Preventing Peaceful Evolution," *China Heritage Quarterly*, June 2009, [http://www.chinaheritagequarterly.org/features.php?searchterm=018\\_1959preventingpeace.inc&issue=018](http://www.chinaheritagequarterly.org/features.php?searchterm=018_1959preventingpeace.inc&issue=018) (accessed March 9, 2013).

<sup>32</sup> Kenneth Lieberthal, "Lessons of the 40 Years Since Nixon Went to China," *CNN*, February 21, 2012, <http://www.cnn.com/2012/02/21/opinion/lieberthal-china-us-40-years> (accessed February 19, 2013).

resumption of robust commerce through the granting of most favored nation status less than one year later. By supporting the naturally liberalizing operations of economic development, the foundations of the CCP's single-party rule would gradually, and naturally, erode.

It is important to understand the careful wording Dulles, Lieberthal and others use regarding US policy aims. The US does not seek Chinese regime change nor does it desire any precipitous process that may result in long-term Chinese instability. Rather, what the US hopes for in China is regime "evolution"—a gradual, controlled transition from autocracy to a more liberal form of government—perhaps democracy with Chinese characteristics. There is no nefarious purpose to this approach. Indeed, US policymakers believe that democratic evolution in China will provide long-term benefits for both sides in moderating behavior, encouraging cooperation, promoting prosperity, and dissuading conflict. Former Secretary of State Hillary Clinton captures the essence of the liberal theoretical underpinnings of engagement when she wrote:

We all know that fears and misperceptions linger on both sides of the Pacific. Some in our country see China's progress as a threat to the United States; some in China worry that America seeks to constrain China's growth. We reject both those views. The fact is that a thriving America is good for China and a thriving China is good for America. We both have much more to gain from cooperation than from conflict...We make the case to our Chinese colleagues that a deep respect for international law and a more open political system would provide China with a foundation for far greater stability and growth—and increase the confidence of China's partners. Without them, China is placing unnecessary limitations on its own development.<sup>33</sup>

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<sup>33</sup> Hillary Clinton, "America's Pacific Century," *Foreign Policy*, November 2011, [http://www.foreignpolicy.com/articles/2011/10/11/americas\\_pacific\\_century](http://www.foreignpolicy.com/articles/2011/10/11/americas_pacific_century) (accessed March 9, 2013).

The US State Department further notes the consistency of the US approach towards China and the benefits China has accrued because of engagement since 1979:

US China policy has been consistent. For eight consecutive administrations, Democratic and Republican, US policy has been to encourage China's opening and integration into the global system. As a result, China has moved from being a relatively isolated and poor country to a key participant in international institutions and a major trading nation. The United States encourages China to play an active role as a responsible stakeholder in the international community, working with the United States and other countries to support and strengthen the international system that has enabled China's success.<sup>34</sup>

The idea that failure to reform is placing unnecessary limitations on China's development deserves additional analysis. Yu Liu and Dingding Chen describe a range of economic and political benefits a democratic China could reap.<sup>35</sup> These include reduction in the hostility of the global business environment to China's opaque business practices, and greater likelihood of reunification with democratic Taiwan.<sup>36</sup> Indeed, in achieving reunification with Taiwan, one of the CCP's most enduring goals, it seems the biggest obstacle is now the authoritarian nature of the CCP itself. Furthermore, failure to liberalize is setting the stage for great power conflict with the US and the liberal international order. China's transition to democracy and subsequent continued economic growth would be far less provocative to the liberal international order. The US is more likely to accept a power transition dynamic wherein a rising China has joined the liberal "zone of peace" as a full-fledged member instead of being surpassed by an authoritarian China and the accompanying

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<sup>34</sup> US State Department Bureau of East Asian and Pacific Affairs, *China Background Notes*, September 6, 2011, <http://www.state.gov/outofdate/bgn/china/189475.htm> (accessed January 23, 2013).

<sup>35</sup> Yu Liu and Dingding Chen, "Why China Will Democratize," *The Washington Quarterly*, Winter 2012: 58.

<sup>36</sup> Liu and Chen, "Why China Will Democratize," 58.

assumption of enmity described earlier in this chapter.<sup>37</sup> This blurs the distinction between liberal and realist IR theory and will be discussed further in chapter 3.

## **Assessing Engagement**

One must evaluate the success of any strategy in accordance with its record of realizing its ends. If peace has been the enduring end of US China policy, then one must recognize the successes of engagement. The effects of economic interdependence and membership in international institutions are evident in US-China relations today. After some initial caution, China has embraced participation in international forums and multilateral organizations ranging from the United Nations to the Shanghai Cooperation Organization to the World Trade Organization. By 2006, China was heavily engaged internationally through membership in more than 130 inter-governmental international organizations and as a signatory to more than 250 international multilateral treaties.<sup>38</sup>

Economically, China has a stake in international stability as it relies on exports to fuel economic development at home. In 2010 China surpassed the US to become the world's largest exporter, and in 2011 the value of Chinese exports exceeded \$2 trillion.<sup>39</sup> Of particular note is the fact that the US, Japan, and South Korea—all countries with which China experiences tensions—are respectively the first, third and fourth largest export destinations for Chinese goods.<sup>40</sup> It is difficult to quantify the moderating effects such international linkages have had on either China or the US vis-à-vis each other, but it is possible to acknowledge that both sides have been circumspect in their security behaviors

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<sup>37</sup> Aaron L. Friedberg, "Bucking Beijing: An Alternative to US China Policy," *Foreign Affairs* 91, no. 5 (2012): 50-51.

<sup>38</sup> Fred C. Bergsten, Bates Gill, Nicholas R. Lardy, and Derek Mitchell, *China: The Balance Sheet* (New York: PublicAffairs, 2006), 140.

<sup>39</sup> Central Intelligence Agency World Factbook, *China*. January 16, 2013. <https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html> (accessed January 20, 2013).

<sup>40</sup> CIA World Factbook, *China*.

towards the other. Consistent with liberal IR theory, low-security issues have remained at the forefront of the relationship for the last thirty-plus years.

Engagement has also yielded success in fostering democratic transition in China. As noted, Chinese society has changed in a manner consistent with liberal IR theory predictions. Despite some glaring exceptions—the CCP’s imprisonment of 2010 Nobel Peace Prize laureate Liu Xiaobo, for example—observers admit that engagement and resulting economic development have resulted in startling changes to the Chinese social landscape. Writing prior to the Beijing Olympics in 2008, journalist Peter Ford summarized many of the changes already evident across Chinese society:

Twenty-five years ago, Chinese citizens were not free to choose their jobs: the authorities assigned them work for life. Farmers were forbidden to live anywhere but the village where they were born. Nobody was allowed to travel abroad, except on government-authorized business. Nobody could dream of owning a car, let alone a house. Food was rationed. Nobody was allowed to set up a business. Western movies and books were banned...Today, all that has changed. And as the state has relaxed its control over the minutiae of daily life, citizens have also felt freer to express themselves to each other. Among friends and neighbors, Chinese say what they think about everything, from their political leaders to rising prices to their country’s medal chances at the Beijing Olympics.<sup>41</sup>

The closely watched Chinese Communist Party leadership transition that occurred in November of 2012, also reflects a continuing expectation for political change. Wu Jiaxiang, a political analyst in Beijing observes, “No matter if they [the CCP] want it or not, dramatic changes will happen in China in the next ten years...The domestic situation is reaching a tipping point right now. People’s self-awareness is

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<sup>41</sup> Peter Ford, "Amid Human Rights Protests, A Look at China's Record," *The Christian Science Monitor*, April 10, 2008, <http://www.csmonitor.com/World/Asia-Pacific/2008/0410/p04s01-woap.html> (accessed March 11, 2013).

wakening. One of his [Xi Jinping—the successor to Hu Jintao as President] missions is to save the party, like by changing the system of dictatorship into a multi-party system. This is not a question of whether he is willing to do it or not. He has to do so.”<sup>42</sup>

The tensions between the liberalizing effects of economic development and CCP one-party rule continue to simmer. CCP leaders in Beijing are fully cognizant of the concept of peaceful evolution and many in the Party remain adamantly opposed to political liberalization. Hu Jintao authored an essay in January 2012, in which he couched CCP opposition to “peaceful evolution” in terms of an escalating culture war in which China needs to stand firm against the further encroachment of western ideas in Chinese society.<sup>43</sup> Beijing closely monitored the worrying Arab Spring uprisings and acted quickly to suppress any movement towards a “Jasmine Revolution.”<sup>44</sup> Indeed, Chinese internal security spending surpassed declared military spending for the first time in 2010, rising another 11.5% to \$111 billion in 2011.<sup>45</sup> In a perverse way, greater CCP emphasis on internal security spending to suppress popular agitation further validates the link between liberal theory and the effectiveness of engagement as a way to spur political liberalization. Unfortunately, there is also a risk it may result in more near-term heavy-handed illiberal/authoritarian behavior against its own population.

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<sup>42</sup> Keith B. Richburg, "In China, Will Transition Bring Real Change?" *The Washington Post*, February 11, 2012, [http://articles.washingtonpost.com/2012-02-11/world/35442062\\_1\\_li-keqiang-new-leadership-leadership-transition](http://articles.washingtonpost.com/2012-02-11/world/35442062_1_li-keqiang-new-leadership-leadership-transition) (accessed March 20, 2013).

<sup>43</sup> Damien Ma, "Beijing's 'Culture War' Isn't About the US—It's About China's Future," *The Atlantic*, January 5, 2012, <http://www.theatlantic.com/international/archive/2012/01/beijings-culture-war-isnt-about-the-us-its-about-chinas-future/250900/> (accessed March 11, 2013).

<sup>44</sup> James Fallows, "Arab Spring, Chinese Winter," *The Atlantic*, September 2011, <http://www.theatlantic.com/magazine/archive/2011/09/arab-spring-chinese-winter/308601/> (accessed March 11, 2013).

<sup>45</sup> Chris Buckley, "China Internal Security Spending Jumps Past Army Budget," *Reuters*, March 5, 2011, <http://www.reuters.com/article/2011/03/05/us-china-unrest-idUSTRE7222RA20110305> (accessed March 11, 2013).

However, this too may serve liberalization's purposes by further increasing resentment against the CCP's political status quo.

Despite the current dominance of CCP conservatives, it is important to note signs of factionalism emerging in the CCP and calls by some CCP members for reform. The epigraph at the beginning of this chapter, for instance, is former Premier Wen Jiabao's vision for a future democratic China. Although some analysts doubt the sincerity of CCP calls for liberalization, Liu and Chen assess the calls may be genuine:

There is good reason to believe that some Party members are genuinely interested in promoting democracy in China. This is because they understand that the Party's legitimacy cannot stem from economic performance alone but must be based upon multiple sources, including political legitimacy. Moreover, they probably understand that the Party will be able to hold on to power or protect its interests if it initiates the political reform and shapes the constitutional design rather than if it is driven out of power by others in a time of crisis.<sup>46</sup>

Liu and Chen further assess that signs of factionalism within the Party may actually be useful precursors towards democratic transition as different groups compete for power.<sup>47</sup>

There are additional indications that conditions in China may be ripe for political liberalization. Fareed Zakaria described the historical pattern of state transition from autocracy to democracy in his book, *The Future of Freedom*. Zakaria makes specific mention of an East Asian developmental model in which authoritarian governments first "liberalized the economy, the legal system, and rights of worship and travel, and then, decades later, held free elections."<sup>48</sup> China scholar Minxin Pei described how this took place in Taiwan:

Rapid growth had liberalizing consequences that the ruling regime had not fully anticipated. With the economy taking off, Taiwan displayed the features common to all growing

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<sup>46</sup> Liu and Chen, "Why China Will Democratize," 52.

<sup>47</sup> Liu and Chen, "Why China Will Democratize," 54-56.

<sup>48</sup> Fareed Zakaria, *The Future of Freedom: Illiberal Democracy at Home and Abroad* (New York: W.W. Norton and Company, 2004), 55.

capitalist societies: The literacy rate increased; mass communication intensified; per capita income rose; and a differentiated urban sector—including labor, a professional middle class, and a business entrepreneurial class—came into being. The business class was remarkable for its independence. Although individual enterprises were small and unorganized they were beyond the capture of the party-state.<sup>49</sup>

Zakaria goes on to point out that effective transition from autocracy to democracy takes place during a democratic “transition zone” that occurs when the state reaches a per capita GDP of approximately \$6,000.<sup>50</sup> By comparison, China’s estimated per capita GDP (purchasing power parity) in 2012 was \$9,100, albeit very unevenly distributed.<sup>51</sup> It took South Korea and Taiwan each roughly forty years to make the transition from authoritarianism to democracy. Given that China’s modern economic development did not really begin until 1979, and given the sheer size of China’s population, crude analysis indicates China may still be another decade or more away from a similar transition—assuming nothing derails China’s continued economic development or relative social stability.

The changes already observable in China seem to validate the precepts of liberal democratic transition theory and further justify the US engagement strategy. Nevertheless, US policymakers should be prepared for the likelihood of short-term instability as China approaches and undergoes this transition period. Zakaria, Liu and Chen, Huang, Friedberg and others warn of the potential for instability in China depending upon how the transition occurs. In one transition scenario, instability may be the result of continued economic growth without corresponding political reform. In this case, a growing and more vocal middle class could make greater demands for political reform. Ironically, in this scenario the CCP falls victim to its own economic success. In

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<sup>49</sup> Zakaria, *The Future of Freedom*, 72.

<sup>50</sup> Zakaria, *The Future of Freedom*, 70.

<sup>51</sup> CIA World Factbook, *China*.

another transition scenario, instability could be the result of economic mismanagement by the CCP. Popular frustration with China's endemic corruption, income inequality, environmental degradation, et cetera could again motivate demands for political reforms. Most likely, instability will include elements from both scenarios. In any case, the potential exists for domestic instability to spiral out of control and extend beyond China's borders. CCP hardline conservatives may utterly resist political reforms and use the state security apparatus to suppress popular dissent. These conservatives may also choose to employ China's aggrieved historical narrative to mobilize nationalist sentiments over China's sovereignty claims to disputed areas as Robert Ross explained in chapter 1. A final possibility is that China defies liberal theory altogether and remains an authoritarian state that uses its accrued economic power to become a commensurate military power and regional hegemon.

US strategists and policymakers must prepare for any of these potential scenarios. Engagement will continue to play an important role, but it will be insufficient on its own. The uncertainty of China's future requires prudent application of the second arm of its strategy: hedging. The theoretical underpinnings of hedging are the subject of chapter 3.

## CHAPTER 3

### Theoretical Rationale for Hedging Against China

*If these countries don't want to change their ways with China, they will need to prepare for the sounds of cannons. We need to be ready for that, as it may be the only way for the disputes in the sea to be resolved.*

--Chinese State Media

Apart from spurring the social changes sweeping the country, China's economic development has also enabled a sustained military modernization program that raises questions about the nature of its future intentions. It is unclear to the US and many other states if China's declared benign intentions are genuine or simply the result of its historic economic and military weakness relative to the US. In contrast to the fickleness of declared intentions, advanced military capabilities take decades to acquire and are thus useful for gauging perceptions and long-term intent. China's strategic intentions are even harder to discern because of its opaque political system and a strategic culture that values deception as exemplified by Deng Xiaoping's oft-quoted 24-character strategy, "Observe calmly, secure our position; cope with affairs calmly; *hide our capacities and bide our time* [italics added]; and never claim leadership."<sup>1</sup> The US hedges against China because of the uncertainty regarding the choices China may make as its comprehensive national power increases. Realist IR theory provides a useful lens through which we may better analyze the underpinnings of the hedging component of the US' strategy towards China. With this understanding in mind, one can better understand why and how the US hedges in its relations with

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<sup>1</sup> United States Department of Defense, *Annual Report to Congress: Military Power of the People's Republic of China 2006* (Washington, DC: Department of Defense, 2006).

China. This chapter concludes with an assessment of the effectiveness of US hedging.

### **Realist International Relations Theory**

Modern IR scholars trace the foundations of realist theory as far back as Thucydides and follow its subsequent lineage through Machiavelli, Thomas Hobbes and Jean Jacques Rousseau.<sup>2</sup> Given this august and ancient lineage, it is no wonder that realism has been the dominant international relations theory over the centuries. Modern realism has matured in concert with the dynamic international landscape to include several interrelated sub-theories. However, this section does not explore the various strains of modern realist thought. Instead, it summarizes key elements of realism held in common by the various realist schools that are especially pertinent to US-China relations. These key tenets are the role of anarchy in the international system, the subsequent behavior of states to secure survival, and the behavior of rival states engaged in power competition with each other.

All realist theory begins with an observation about the fundamentally anarchic nature of the international system. “Anarchy,” as used by realists refers to “the absence of a central authority that sits above states and can protect them from each other.”<sup>3</sup> Given this definition, one might logically ask, “Why do states need protection from each other?” The realist answer is that states seek protection from each other because anarchy allows for the influence of base elements of human nature in how states perceive and relate to each other.<sup>4</sup> Thucydides’ 2,400 year-old observation regarding the role of “fear, honor, and interest” in precipitating the Peloponnesian War generally

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<sup>2</sup> Michael W. Doyle, *Ways of War and Peace* (New York: W.W. Norton and Company, Inc., 1997), 41.

<sup>3</sup> John J. Mearsheimer, *The Tragedy of Great Power Politics* (New York: W. W. Norton & Company, 2001), 3.

<sup>4</sup> James Wood Forsyth, Jr., “The Past as Prologue: Realist Thought and the Future of American Security Policy,” *Strategic Studies Quarterly* 5, no. 3 (Fall 2011): 104.

encompasses these elements of human nature.<sup>5</sup> Kenneth Waltz described the links between man's passions, the state and the anarchic international system when he wrote, "States are motivated to attack each other and to defend themselves by the reason and/or passion of the comparatively few who make policies for states and of the many more who influence the few."<sup>6</sup> Waltz then concluded that, ultimately, the anarchic nature of the international system is what makes war between states possible. As he wrote, "Wars occur because there is nothing to prevent them."<sup>7</sup>

It is important to understand that anarchy in the international system does not mean the system is without order. As Robert Gilpin noted, "The relationships among states have a high degree of order and that although the international system is one of anarchy, the system does exercise an element of control over the behavior of states."<sup>8</sup> Systemic control over state behavior, however, is different for each state depending on that state's comprehensive power ranking relative to other states. Under conditions of anarchy, no state is powerful enough to do whatever it wants all of the time. However, certain powerful states do so dominate the international system that they are less susceptible to being controlled by it while at the same time are able to use their power to influence the international system in a manner conducive to their interests. This situation reflects the enduring validity of Thucydides' blunt, realist observation that "the strong do what they can and the weak suffer what they must."<sup>9</sup>

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<sup>5</sup> Robert B. Strassler, editor, *The Landmark Thucydides: A Comprehensive Guide to the Peloponnesian War* (New York, New York: Free Press, 1996), 43.

<sup>6</sup> Kenneth N. Waltz, *Man, the State, and War: A Theoretical Analysis* (New York: Columbia University Press, 1954), 232.

<sup>7</sup> Waltz, *Man, the State, and War*, 232.

<sup>8</sup> Robert Gilpin, *War and Change in World Politics* (Cambridge: Cambridge University Press, 1981), 28.

<sup>9</sup> Strassler, *The Landmark Thucydides*, 352.

Anarchy in the international system creates a perpetual environment of suspicion and mistrust between states that directly influences their behaviors towards each other. Realists propose that while states may have many interests, the one interest all states have in common is survival.<sup>10</sup> The imperative to survive motivates states to seek power for the sake of their own survival in a “self-help” manner because states cannot depend upon the unequivocal altruism of other states.<sup>11</sup> Waltz described the international environment and the behaviors this environment prompts when he wrote:

The state among states, it is often said, conducts its affairs in the brooding shadow of violence. Because some states may at any time use force, all states must be prepared to do so—or live at the mercy of their militarily more vigorous neighbors. Among states, the state of nature is a state of war. This is meant not in the sense that war constantly occurs but in the sense that, with each state deciding for itself whether or not to use force, war may at any time break out...Among men as among states, anarchy, or the absence of government, is associated with the occurrence of violence.<sup>12</sup>

John Mearsheimer laments, “This situation, which no one consciously designed or intended, is genuinely tragic. Great powers that have no reason to fight each other—that are merely concerned with their own survival—nevertheless have little choice but to pursue power and to seek to dominate the other states in the system.”<sup>13</sup>

The self-help nature of the anarchic system does not mean that states do not cooperate with each other when their various economic, political, and security interests coincide. However, when states do cooperate, they do so warily of each other, always mindful of the relative benefits of such cooperation to other states. As Waltz again notes,

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<sup>10</sup> Forsyth, "The Past as Prologue," 105.

<sup>11</sup> Kenneth N. Waltz, *Theory of International Politics* (Long Grove, Illinois: Waveland Press, Inc., 1979), 106-107.

<sup>12</sup> Waltz, *Theory of International Politics*, 102.

<sup>13</sup> Mearsheimer, *The Tragedy of Great Power Politics*, 3.

“When faced with the possibility of cooperating for mutual gain, states that feel insecure must ask how the gain will be divided. They are compelled to ask not ‘Will both of us gain?’ but ‘Who will gain more?’”<sup>14</sup> The possibility always exists that states who gain the most relative to other states may one day be tempted to use their disparate gains in a manner harmful to the states with whom they cooperated in the first place.

The wariness with which states view relative power gains by other states leads directly to one of the fundamental issues in international relations: the security dilemma. When states seek to secure their own survival against the potential predations of other states, they naturally invest a portion of their economic power into building military power. Likewise, states may form security alliances with other states sharing similar security concerns. Unfortunately, these actions are often viewed with suspicion by neighboring states who cannot know with certainty the motivations and intentions for such investments. Even if all states have purely defensive purposes for their military capabilities, the potential threat posed by these military capabilities forces other states to invest in their own militaries. The situation manifests itself as a spiral of security tensions, arms races, and, occasionally, even war.<sup>15</sup>

Despite the seeming pessimism of realist theory, realism does not always end in violence. Realists observe that the international system tends to seek stability through balances of power. Powerful states and coalitions of states can bring order and stability to the international system by balancing against each other. Parity, or near parity, of military capabilities keeps states on their best behavior for the simple reason that they understand the certain cost and uncertain outcome of military adventurism. Professor James Forsyth thus wrote, “What kept the Cold War ‘cold’ was the balance of power between the Soviet Union

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<sup>14</sup> Waltz, *Theory of International Politics*, 105.

<sup>15</sup> Forsyth, “The Past as Prologue,” 105.

and the United States. Although hardly a perfect peace—there were several deadly proxy wars during this time—the balance of forces between the two great powers enabled international life to go on without producing a cataclysmic, nuclear war.”<sup>16</sup> While the bipolar world order during the Cold War provided the structure for balancing to occur, the subsequent unipolar world order reintroduced hegemony to the international system in the form of US power dominance relative to all other states.

Power competition and security dilemmas are problematic enough as they occur between small and medium powers but when these dynamics occur between great powers, the consequences can be devastating. Realist theory regarding power transition describes the likely turbulence the international system experiences when a rising power overtakes an established power.<sup>17</sup> History is replete with examples of the destabilizing effects of power competition between rising and established powers. Thucydides credited Spartan fears of growing Athenian power for the start of the Peloponnesian War.<sup>18</sup> Germany before World War I and both Japan and Germany prior to World War II are the most frequently cited modern cases. Aaron Friedberg described how a state’s growing power causes tensions in an established international system:

As a state’s capabilities grow, its leaders tend to define their interests more expansively and to seek a greater degree of influence over what is going on around them. Rising powers seek not only to secure their frontiers but to reach out beyond them, taking steps to ensure access to markets, materials, and transportation routes; to protect their citizens far from home, defend their foreign friends and allies, and promulgate their values; and, in general, to have what they

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<sup>16</sup> Forsyth, “The Past as Prologue,” 105-106.

<sup>17</sup> For more on the origins of realist power transition theory, see A.F.K. Organski, *World Politics* (New York: Knopf, 1968).

<sup>18</sup> Strassler, *The Landmark Thucydides*, 16.

consider to be their legitimate say in the affairs of their region and of the wider world.<sup>19</sup>

Robert Gilpin's classic work, *War and Change in International Politics*, points out the historical, cyclical, pattern of hegemonic power transitions in the international system. Gilpin described how, over time, an established hegemonic state eventually declines because it invariably begins to live beyond its means. He wrote, "A declining society experiences a vicious cycle of decay and immobility, much as a rising society enjoys a virtuous cycle of growth and expansion. On the one hand, decline is accompanied by lack of social cooperation, by emphasis on rights rather than emphasis on duty, and by decreasing productivity. On the other hand, the frustration and pessimism generated by this gloomy atmosphere inhibit renewal and innovation."<sup>20</sup> A hegemon's decline is a rising power's opportunity to exert greater influence over world affairs. The trouble is that hegemons are typically reluctant to give away the benefits of their power status and nearly always fight to retain them.<sup>21</sup> The conflict between declining and rising powers may become an unlimited hegemonic war.

The certain consequence of hegemonic war "is that it changes the system in accordance with the new international distribution of power; it brings about a reordering of the basic components of the system."<sup>22</sup> While change in or of the system is certain, the outcome of hegemonic war is not. A victorious hegemon will fundamentally dismantle or transform its defeated rivals as the US did to Germany and Japan following World War II and a victorious challenger will do the same to a

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<sup>19</sup> Aaron L. Friedberg, "The Future of US-China Relations: Is Conflict Inevitable?" *International Security* 30, no. 2 (Fall 2005): 19.

<sup>20</sup> Gilpin, *War and Change in World Politics*, 188-189. For more on the causes of great power decline, see also Paul Kennedy, *The Rise and Fall of the Great Powers* (New York: Random House, 1987).

<sup>21</sup> Gilpin, *War and Change in World Politics*, 189-191, 197-198, 208-209.

<sup>22</sup> Gilpin, *War and Change in World Politics*, 198.

defeated hegemon.<sup>23</sup> However, the possibility always exists that both the hegemon and the challenger will exhaust themselves through their competition, resulting in unpredictable consequences for the entire system.

Gilpin made an important observation regarding the possibility of peaceful power transitions. After an examination of the peaceful power transition that took place between Great Britain and the US in the first half of the twentieth century, he concluded, “Peaceful international change appears to be most feasible when it involves changes *in* an international system and to be most difficult when it involves change *of* an international system.”<sup>24</sup> Because Britain and the US shared very similar values, Britain recognized that US succession to hegemony would not fundamentally threaten the liberal system Britain had established. Thus, US succession was an acceptable change *in* the existing system. This realist observation is complementary to the liberal perspective discussed on page thirty-three of this paper regarding the benefits of China transitioning from authoritarian to liberal democratic governance. Gilpin notes, “The basic task of peaceful change is not merely to secure peace; it is to foster change and secure a peace that secures one’s basic values. Determining how this goal is to be achieved in specific historical circumstances is the ultimate task of wise and prudent statesmanship.”<sup>25</sup>

With this basic explanation of realist IR theory, it is now possible to apply these realist tenets to explain more specifically why and how the US hedges against China.

### **Realism in the US Strategy of Hedging against China**

Given realism’s concerns with state pursuit of power and perceptions of relative power between states, it is useful to begin this

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<sup>23</sup> Gilpin, *War and Change in World Politics*, 199.

<sup>24</sup> Gilpin, *War and Change in World Politics*, 208.

<sup>25</sup> Gilpin, *War and Change in World Politics*, 209.

section with a comparison of several traditional measurements of power between the US and China. Comparison of these traditional power measurements will illustrate the ties between realism theory and actual behavior between states. More specifically, these measurements will partly explain the motivation behind the US hedging strategy towards China.

Measuring a state's power, or its capabilities, is a notoriously difficult undertaking because it includes objective and subjective appraisals of both hard and soft power capabilities and is situation-dependent.<sup>26</sup> Furthermore, as Gregory Treverton and Seth Jones of RAND wrote, "State power can be conceived at three levels: (1) resources or capabilities, or power-in-being; (2) how that power is converted through national processes; (3) and power in outcomes."<sup>27</sup> A brief introduction of three basic metrics used by analysts in the CIA's Strategic Assessment Group (SAG) to evaluate state power from the first-level perspective is useful for illustrating the changing power circumstances between the US and China. These metrics are gross domestic product, population, and defense spending.<sup>28</sup> While these metrics do not provide a complete picture of state power, they are still at the core of how states evaluate each other and where they rank in the international power structure.

Economic power is the precursor to military power and GDP remains the single most important indicator of national economic power.<sup>29</sup> Chapters 1 and 2 of this paper partially documented China's impressive economic growth. As of 2012, China's \$12.38 trillion GDP

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<sup>26</sup> Gregory F. Treverton and Seth G. Jones, *Measuring National Power* (Santa Monica, CA: RAND Corporation, 2005), 1-4.

<sup>27</sup> Treverton and Jones, *Measuring National Power*, 1.

<sup>28</sup> Treverton and Jones, *Measuring National Power*, 3.

<sup>29</sup> Treverton and Jones, *Measuring National Power*, 5.

was second only to the US' \$15.66 trillion GDP on a PPP basis.<sup>30</sup> The US National Intelligence Council's *Global Trends 2030* report estimates that at the current rate of growth, China's GDP will surpass that of the US in approximately 2027.<sup>31</sup> As noted in the previous chapter, China's unevenly distributed per capita GDP is roughly \$9,100 compared to the US per capita GDP of \$49,800.<sup>32</sup> Because China's population of 1.35 billion people is roughly four times larger than the US population, parity in per capita GDP will require several more decades of economic growth beyond GDP parity before it approaches US levels. While China's population will present significant domestic challenges to the CCP in terms of health, education and housing costs, it also represents room for continued economic growth in terms of labor and market demand.

Despite the lag in per capita GDP parity, for China to claim the title of world's largest economy will likely mark a significant psychological milestone, changing how the international community perceives China and how it perceives the US, which has held the title since roughly 1900. It is reasonable to expect that as China's economic power grows, its influence in the international community will grow in a commensurate manner, especially as other states increasingly rely upon China as an engine for their own economic growth.

The manner in which China has achieved its economic growth has caused tensions with the US. China's hybrid state-market economy has protected certain of its key sectors—banking, energy and telecommunications, for example—against foreign competition.<sup>33</sup> It has done so either by excluding competitors from China's market or by

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<sup>30</sup> Central Intelligence Agency World Factbook, *China*, January 16, 2013, <https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html> (accessed January 20, 2013).

<sup>31</sup> National Intelligence Council, *Global Trends 2030: Alternative Worlds* (Washington, DC: Office of the Director of National Intelligence, 2012), 15.

<sup>32</sup> CIA World Factbook, *China*.

<sup>33</sup> The Economist, "China's State Capitalism: Not Just Tilting at Windmills," *The Economist*, October 6, 2012, <http://www.economist.com/node/21564235> (accessed May 5, 2013).

providing state subsidies that allow domestic companies to undercut international competitors, driving them out of business and allowing Chinese companies to establish global dominance in areas like steel production, rare earth mineral mining and solar panel construction.<sup>34</sup>

Moreover, according to the US Department of Defense:

Chinese actors are the world's most active and persistent perpetrators of economic espionage. Chinese attempts to collect US technological and economic information will continue at a high level and will represent a growing and persistent threat to US economic security. The nature of the cyber threat will evolve with continuing technological advances in the global information environment. Sensitive US economic information and technology are targeted by intelligence services, private sector companies, academic/research institutions, and citizens of dozens of countries. China is likely to remain an aggressive and capable collector of sensitive US economic information and technologies, particularly in cyberspace.<sup>35</sup>

China's monetary policy of deliberately undervaluing the Yuan against foreign currencies in order to boost demand for its exports has also been a factor in US-China economic tensions.<sup>36</sup> Negative perceptions in the US of these Chinese trade practices are exacerbated by annual bilateral trade deficits in China's favor that totaled \$315 billion in 2012 alone.<sup>37</sup> Thus despite economic cooperation, the US is very sensitive to China's relative gains and the manner in which those gains are made.

China's economic growth becomes even more problematic inasmuch as China converts its economic resources into the more

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<sup>34</sup> The Economist, "State Owned Enterprises: The State Advances," *The Economist*, October 6, 2012, <http://www.economist.com/node/21564274> (accessed May 5, 2013).

<sup>35</sup> United States Department of Defense, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2012* (Washington, DC: Department of Defense, 2012), 10.

<sup>36</sup> Keith Bradsher, "On China Currency, Hot Topic in Debate, Truth is Nuanced," *The New York Times*, October 17, 2012, [http://www.nytimes.com/2012/10/18/world/asia/chinas-renminbi-has-strengthened-during-obamas-term.html?pagewanted=all&\\_r=0](http://www.nytimes.com/2012/10/18/world/asia/chinas-renminbi-has-strengthened-during-obamas-term.html?pagewanted=all&_r=0) (accessed May 5, 2013).

<sup>37</sup> United States Department of Commerce, "Foreign Trade: Trade in Goods with China," *United States Census Bureau*, April 5, 2013, <http://www.census.gov/foreign-trade/balance/c5700.html> (accessed April 5, 2013).

directly threatening manifestation of power that is its military capabilities. Given the tensions stemming from China's territorial disputes with several regional states—including US treaty allies and partners—all regional states closely monitor China's military growth. China maintains the largest military force in the world with approximately 2.29 million active duty troops serving in the PLA versus 1.48 million in the US military.<sup>38</sup> In 1989, China began a comprehensive military modernization effort funded by budget increases averaging 11.8% annually for most of the last two decades.<sup>39</sup> In 2012, China declared its national defense spending to be \$106 billion but the US Defense Department believes actual spending is more realistically between \$120 billion and \$180 billion.<sup>40</sup> This is well behind total US defense spending of just under \$690 billion but still between two and three times more than Russia, who is third in the global rankings at \$64 billion.<sup>41</sup> Of note, US defense spending over the next decade is expected to decline significantly while China's will continue to grow, closing the relative gap in this metric even more.<sup>42</sup>

China has used its defense spending to increase significantly the percentage of PLA forces trained and equipped with modern military hardware over the last decade. China has steadily pursued acquisition

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<sup>38</sup> Global Firepower.com, "Active Military Personnel by Country," *Global Firepower.com*, December 2012, [http://www.globalfirepower.com/country-military-strength-detail.asp?country\\_id=China](http://www.globalfirepower.com/country-military-strength-detail.asp?country_id=China) (accessed March 30, 2013).

<sup>39</sup> United States Department of Defense, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2012*, 6.

<sup>40</sup> United States Department of Defense, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2012*, 6.

<sup>41</sup> Global Firepower.com, "Defense Spending by Country," *Global Firepower.com*, December 2012, <http://www.globalfirepower.com/defense-spending-budget.asp> (accessed March 30, 2013).

<sup>42</sup> Comparison of US and Chinese defense spending is a complicated matter. For example, while Chinese defense spending is roughly one fourth of US spending, China's military focus is regional while the US perspective is global. Additionally, US military spending totals cited here include costs incurred from the continuing war in Afghanistan and other on-going overseas contingency operations. Furthermore, US military personnel receive pay and benefits many times more than what their Chinese counterparts do. Apples to apples comparisons reveal spending outcomes are closer than the overall numbers indicate.

or development of a broad range of advanced military capabilities including a variety of ballistic and cruise missiles, strike aircraft, naval surface combatants and submarines, and cyber and space capabilities.<sup>43</sup> Thus far, these capabilities are not suitable for conventional power projection outside of the region. However,

China's long-term, comprehensive military modernization is improving the PLA's capacity to conduct high-intensity, regional military operations, including counter-intervention operations. For China, 'counter-intervention' refers to a set of operationally-defined tasks designed to prevent foreign (e.g., US) military forces from intervening in a conflict and preventing China from accomplishing its military objectives. China employs anti-access/area-denial (A2/AD) weapons in support of this broader counter-intervention strategy – a strategy not bound by a set geographic area or domain.<sup>44</sup>

China's pursuit of military capabilities designed specifically to counter US presence and influence in the region causes concern among China's neighbors as it does in the US.

In combination, China's economic and military power will allow China to achieve desired outcomes. A case in point is China's pursuit of reunification with Taiwan. China has pursued a two-pronged approach towards achieving its reunification objective. On one hand, it has sought to integrate Taiwan economically with various trade incentives, concessions, and agreements with Taiwan. The 2010 Economic Cooperation Framework Agreement (ECFA) concluded between Taiwan and China in 2010 is one such example of this. On the other hand, the PLA "continues building capabilities aimed at Taiwan and at deterring, delaying, or denying possible third party intervention in a cross-Straight conflict."<sup>45</sup> Together, the economic carrot and the military stick have

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<sup>43</sup> United States Department of Defense, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2012*, 21-25.

<sup>44</sup> United States Department of Defense, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2012*, 21.

<sup>45</sup> United States Department of Defense, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2012*, 6.

incrementally brought Taiwan closer to China and diminished Taiwan appetites for independence adventurism. As China's power grows, it will be able to apply these same tactics to achieve other desired outcomes across a growing range of international issues.

Consistent with Aaron Friedberg's realist description in the previous section, China's growth will naturally manifest itself as an expanding list of national interests and greater contact with the established, omnipresent power—the US. Where the two share interests, it may be possible for them to cooperate. However, where interests diverge, competition has the potential to become tension and tension has the potential to become conflict. Graham Allison and Robert Blackwill report that Former Singapore Prime Minister, Lee Kuan Yew, believes "China's leaders are serious about becoming the top power in Asia and on the globe" and that "China will not simply take its seat within the postwar order created by the United States."<sup>46</sup> Lee also believes China will continue to pursue growth in a cautious manner vis-à-vis the US consistent with Deng Xiaoping's strategic guidance for China to "Hide your strength, bide your time."<sup>47</sup> However, if and when China reaches a point where it no longer feels compelled to hide its strength or bide its time, the potential for conflict is great. Allison and Blackwill warn, "If Lee is correct, leaders in both China and the United States will face a huge challenge in coming decades as a rising power rivals a ruling power. Historically, statesmen have failed this test: 11 of 15 such cases since 1500 ended in war."<sup>48</sup>

Regarding the power dynamics taking shape in Asia, John Mearsheimer wrote: "International politics is a nasty and dangerous

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<sup>46</sup> Graham Allison and Robert D. Blackwill, "Will China Ever Be No. 1?" *Foreign Policy.com*, February 16, 2013, [http://www.foreignpolicy.com/articles/2013/02/16/will\\_china\\_ever\\_be\\_no\\_1\\_lee\\_kuan\\_yew](http://www.foreignpolicy.com/articles/2013/02/16/will_china_ever_be_no_1_lee_kuan_yew) (accessed April 3, 2013).

<sup>47</sup> Allison and Blackwill, "Will China Ever Be No. 1?"

<sup>48</sup> Allison and Blackwill, "Will China Ever Be No. 1?"

business, and no amount of goodwill can ameliorate the intense security competition that sets in when an aspiring hegemon [China] appears in Eurasia.”<sup>49</sup> Mearsheimer goes on to predict, “Can China rise peacefully? My answer is no. If China continues its impressive growth over the next few decades, the United States and China are likely to engage in an intense security competition with considerable potential for war. Most of China’s neighbors—including India, Japan, Singapore, South Korea, Russia, and Vietnam—will join with the United States to contain China’s power.”<sup>50</sup>

Foreign policy practitioners can derive at least one positive aspect from these realist views of US-China relations and that is the desire by China to avoid high security confrontations with the US and its allies and partners in the near-term. However, as China continues to accrue power, the medium to long-term question remains: what happens when China approaches a state of power parity—or possibly even superiority—vis-à-vis the US? Indeed, academics are currently debating the possibility that the closing power gap between the US and China is already making itself manifest in Beijing:

Throughout 2010, a line of commentary in Western and Chinese media and academic circles, suggested that China has grown stronger relative to the United States, particularly as a result of the global financial crisis...The tension between managing China’s image and advancing China’s interests was revealed on several occasions...Much of the resulting commentary hailed perceptions that Beijing had taken a stronger stand on these issues in line with its growing international weight. Some [Chinese] commentators argued that China needed to take a still stronger stand or asserted that on the contrary, Beijing lacked sufficient power to sustain a more assertive position, despite a relative US decline.<sup>51</sup>

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<sup>49</sup> John J. Mearsheimer, “China’s Unpeaceful Rise,” *Current History*, April 2006, 162.

<sup>50</sup> John J. Mearsheimer, “China’s Unpeaceful Rise,” 160.

<sup>51</sup> United States Department of Defense, *Annual Report to Congress: Military and Security Developments Involving the People’s Republic of China 2011* (Washington, DC: Department of Defense, 2011), 18.

The last line is telling from a realist theoretical perspective. Chinese commentators were not arguing that China should not take a stronger stand because it may negatively influence peaceful relations with its neighbors or because of the harm it may do to regional stability. Rather, it was because Beijing currently “*lacked sufficient power* to sustain a more assertive position [italics added].” The fact that this debate is even occurring in Beijing signals the approach of a tipping point in which certain CCP elements no longer believe in the effectiveness of Deng’s cautious prescription to hide and bide. Indeed, the epigraph to this chapter is representative of the increasingly strident tone taken by Beijing regarding its various territorial disputes with neighbors.

Given the preceding realist theoretical perspectives regarding the effects of China’s development on the international system, it is no surprise that the US would incorporate hedging measures into its strategic approach towards China. When viewed over time, these measures reveal US policymakers’ increased wariness regarding China’s growth and CCP intentions. These measures take place primarily in the security realm of the relationship and include such diverse actions as arms embargoes against China, arms sales to US allies and partners, congressionally imposed limitations on military-to-military engagement with China, closer security cooperation with regional allies and partners and, most recently, the “rebalancing” of US force posture to the region.

The US has made hedging against China part of its strategy since the CCP’s suppression of Chinese pro-democracy demonstrators on June 4, 1989, at Tiananmen Square. On June 5, the US State Department imposed an embargo upon all sales of defense articles and defense services to China. Unlike the rapid resumption of bilateral commercial ties noted in chapter 2, the US has maintained the arms embargo until the present day. Because of the European Union’s own continuing arms embargo against China, also enacted in June 1989 in response to the

Tiananmen incident, China was forced to rely on Russia for the acquisition of advanced military weapons and technology.<sup>52</sup> Over the last two decades, China has lobbied the US and the EU to repeal the embargoes, nearly succeeding with the EU in 2005. However, strong opposition from the US and continuing EU concerns about Chinese human rights resulted in continuation of the EU embargo until the present time.<sup>53</sup>

The US adopted a series of additional hedging measures in 1999 in response to China's military modernization and reported espionage against US commercial, government and defense-related entities. In the National Defense Authorization Act of 2000 (NDAA 2000), Congress directed a series of China-related measures designed to raise awareness of Chinese activities and to secure advantages in US military capabilities. The measures included establishment of the Center for the Studies of Chinese Military Affairs (CSCMA) at the National Defense University with the mission "to study and inform policymakers in the Department of Defense, Congress, and throughout the Government regarding the national goals and strategic posture of the People's Republic of China and the ability of that nation to develop, field, and deploy an effective military instrument in support of its national strategic objectives."<sup>54</sup> NDAA 2000 also significantly restricted the types of military-to-military exchanges and contacts the US could engage in with China to preclude disclosure of US capabilities that may compromise national security.<sup>55</sup> Finally, NDAA 2000 directed the Secretary of Defense to provide

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<sup>52</sup> David Lague, "Russia and China Rethink Arms Deals," *New York Times*, March 2, 2008, [http://www.nytimes.com/2008/03/02/world/asia/02iht-arms.1.10614237.html?pagewanted=all&\\_r=0](http://www.nytimes.com/2008/03/02/world/asia/02iht-arms.1.10614237.html?pagewanted=all&_r=0) (accessed May 5, 2013).

<sup>53</sup> James Kanter, "Wen Chides Europe on Arms Sale Embargo," *New York Times*, September 20, 2012, <http://www.nytimes.com/2012/09/21/world/europe/wen-chides-eu-on-arms-sale-embargo.html> (accessed April 7, 2013).

<sup>54</sup> 106th Congress of the United States, "National Defense Authorization Act for Fiscal Year 2000" (Washington, DC: United States Government Printing Office, October 5, 1999), Section 914.

<sup>55</sup> 106th Congress of the United States, "National Defense Authorization Act for Fiscal Year 2000," Section 1201.

Congress an annual report on China’s military power with a focus on “the current and future military strategy of the People’s Republic of China.”<sup>56</sup>

The most recent, and most prominent, implementation of US hedging against China was the Obama Administration’s announcement in early 2012 that the US would “rebalance” its global military posture to reinforce the US’ presence in the Asia-Pacific region. Michael Swaine described the rationale behind the US move, also known as the “pivot” when he wrote:

There is no doubt that the pivot was motivated by concerns over China’s growing power, influence, and behavior in the Asia-Pacific. Specifically, Washington saw an increasing need to respond to the apparent uncertainties and anxieties in the region created by China’s growing military capabilities and its increasing assertiveness—especially in 2009-2010—regarding claims to disputed maritime territory and US and allied military exercises and surveillance operations in the Western Pacific. From the US perspective, such assertiveness threatened to unnerve friends and allies, inhibit US freedom of air and maritime navigation, and generally constrain Washington’s ability to project power in the region.<sup>57</sup>

In *Sustaining US Global Leadership: Priorities for 21<sup>st</sup> Century Defense*, the document that officially introduced the “rebalance,” the US declared that its “economic and security interests are inextricably linked to developments in the arc extending from the Western Pacific and East Asia into the Indian Ocean region and South Asia.”<sup>58</sup> In the same document, then-Defense Secretary Panetta confirmed China’s rise factored strongly in the decision to rebalance to the Asia-Pacific:

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<sup>56</sup> 106th Congress of the United States, "National Defense Authorization Act for Fiscal Year 2000," Section 1202.

<sup>57</sup> Michael D. Swaine, "Chinese Leadership and Elite Responses to the US Pacific Pivot," *China Leadership Monitor*, 2012, 3.

<sup>58</sup> United States Department of Defense, *Sustaining US Global Leadership: Priorities for 21<sup>st</sup> Century Defense* (Washington, DC: United States Department of Defense, 2012), 2.

Over the long term, China's emergence as a regional power will have the potential to affect the US economy and our security in a variety of ways. Our two countries have a strong stake in peace and stability in East Asia and an interest in building a cooperative bilateral relationship. However, the growth of China's military power must be accompanied by greater clarity of its strategic intentions in order to avoid causing friction in the region. The United States will continue to make the necessary investments to ensure that we maintain regional access and the ability to operate freely in keeping with our treaty obligations and with international law. Working closely with our network of allies and partners, we will continue to promote a rules-based international order that ensures underlying stability and encourages the peaceful rise of new powers, economic dynamism, and constructive defense cooperation.<sup>59</sup>

There are clearly many justifications for US hedging against China. Enough justification exists that one might reasonably ask, "Why only hedging and not containment?" The answer is simply because for all of China's economic growth and military modernization, it has not yet disrupted the international order sufficiently to trigger a more severe response. US-China competition does not rise to the level of US-Soviet competition during the Cold War. For example, for all of the attention given to China's military budgets, China's military spending over the last decades has remained steady at between two and three percent of GDP.<sup>60</sup> This is far less than Soviet expenditures that approached 27 percent of GDP in the mid-1980s, less than the 2008-2012 US average of 4.7 percent and about average for the region.<sup>61</sup> Indeed, China's defense budget is growing more slowly than other areas of Chinese government spending.<sup>62</sup> For all the talk of a "Beijing Consensus" to rival the US'

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<sup>59</sup> United States Department of Defense, *Sustaining US Global Leadership*, 2.

<sup>60</sup> Andrew S. Erickson and Adam P. Liff, "China's Military Development, Beyond the Numbers," *The Diplomat*, March 12, 2013, <http://thediplomat.com/2013/03/12/chinas-military-development-beyond-the-numbers/> (accessed March 26, 2013).

<sup>61</sup> The World Bank, "Military Expenditure as % of GDP," *The World Bank*, 2013, <http://data.worldbank.org/indicator/MS.MIL.XPND.GD.ZS> (accessed April 6, 2013).

<sup>62</sup> Erickson and Liff, "China's Military Development, Beyond the Numbers."

liberal democratic ideology, there is little evidence to suggest it is appealing to any states beyond those still ruled by authoritarian regimes. In other words, China's soft power lags significantly behind its hard power—especially in comparison to the dominant, US-promulgated, liberal ideology.<sup>63</sup> The US therefore does not perceive an ideological existential threat in the same way it did during the Cold War. While realist IR theory recognizes the trends and directs policymaker attention to potential trouble areas, it does not prescribe solutions other than caution. Thus far, the cautious solution seems to support hedging rather than containment. A more complete assessment is the subject of the next section.

### **Assessing Hedging**

Again, one must evaluate the success of any strategy in accordance with its record of realizing its ends. Assessing the success of hedging is complicated by the fact that is not the main component of US strategy towards China. The US intends hedging to complement engagement in the pursuit of its objectives for peace and stability in the Asia-Pacific region. More specifically, hedging must be judged on how well it achieves its secondary, albeit vitally important, role of setting the regional security conditions conducive to China's arrival as a great power and responsible stake-holder in the success of the current international system. Ultimately, hedging buys the time for China's continuing economic development and political evolution—the main objectives of engagement. In pursuit of these objectives, the US must carefully balance the benefits and risks of its security approach. Hedging must be

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<sup>63</sup> David Shambaugh, "The Rise of China and Asia's New Dynamics." In *Power Shift: China and Asia's New Dynamics*, edited by David Shambaugh, 1-19. Berkeley: University of California Press, 2005, 2. See also Joseph S. Nye, "What China and Russia Don't Get About Soft Power," *Foreign Policy*, April 29, 2013, [http://www.foreignpolicy.com/articles/2013/04/29/what\\_china\\_and\\_russia\\_don\\_t\\_get\\_about\\_soft\\_power?page=0,0&fb\\_action\\_ids=10151626250796223&fb\\_action\\_types=og.likes&fb\\_source=aggregation&fb\\_aggregation\\_id=288381481237582](http://www.foreignpolicy.com/articles/2013/04/29/what_china_and_russia_don_t_get_about_soft_power?page=0,0&fb_action_ids=10151626250796223&fb_action_types=og.likes&fb_source=aggregation&fb_aggregation_id=288381481237582) (accessed May 5, 2013).

significant enough to deter the CCP from using force to resolve its disputes but not so provocative that it escalates the current security dilemma to a level of confrontation more reminiscent of the Cold War. At the same time, US hedging must also be significant enough to reassure its allies and partners of its commitment to regional security without simultaneously raising tensions in the region.

While it is difficult to ascribe precisely how much US hedging has contributed to maintaining regional peace and stability, it is clear that it plays a significant role. One subjective measure of the success of hedging is the degree to which regional states—and even China—benefit from the US security presence in the region. David Shambaugh wrote, “Clearly the US-led alliance system remains the predominant regional security architecture. It has been the bedrock of regional stability since the end of the Vietnam War, has served the region well, and is unlikely to be cast aside by the participants in the ‘hub and spokes’ system (including the non-allied partners and beneficiaries of the system). China tried to challenge this system, at least rhetorically, in the 1997-98 period and it was roundly rebuffed by its neighbors throughout the region.”<sup>64</sup>

Since the 1997-98 period, even Beijing has recognized that it, too, benefits from the US security presence. As described in chapter 1, the US security presence has also served to address Chinese security concerns regarding Japan’s potential remilitarization and/or development of its own nuclear arsenal. Furthermore, while the US’ “One China Policy” did little to help China’s quest for reunification with Taiwan, neither did it encourage Taiwan to seek independence. Maintenance of the status quo has thus far spared China, Taiwan, and

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<sup>64</sup> Shambaugh, “The Rise of China and Asia’s New Dynamics,” 17.

the region a potentially disastrous military conflict.<sup>65</sup> Finally, the relatively stable security environment has allowed China to prioritize its domestic economic development over its military development. Despite repeated criticisms of the US, *China's National Defense in 2010* white paper nevertheless recognizes that “The Asia-Pacific security situation is generally stable...China is still in the period of important strategic opportunities for its development, and the overall security environment for it remains favorable.”<sup>66</sup>

US hedging practices are part of the reason the overall security environment remains favorable, not just for China, but for the region as a whole. US presence in the region has influenced China to remain circumspect in its security behaviors towards its neighbors. For example, as the CCP succumbed to the temptation in the last few years to confront its neighbors more directly over disputed territories, the US presence and response constrained how far China was willing to go in its tactics. As regional tensions increased, the US responded with the announcement of its pivot to the Pacific. As much as this strategic move undoubtedly irked Beijing, it was a timely reminder to the CCP that precipitous action would undermine Beijing’s longer-term interests. Consequently, Beijing’s high-level official responses remained relatively subdued. In describing Beijing’s subdued official response, Michael Swaine assesses:

Beijing undoubtedly realizes that many Asian capitals have expressed strong concerns over China’s recent “assertiveness” in the region, and, equally important, believes that such concerns are being used by Washington to strengthen regional support for its more activist stance, exemplified by the Pacific Pivot. The Chinese probably also

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<sup>65</sup> Michael Yahuda, "The Evolving Asian Order: The Accommodation of Rising Chinese Power," In *Power Shift: China and Asia's New Dynamics*, edited by David Shambaugh, 347-361, (Berkeley: University of California Press, 2005), 358.

<sup>66</sup> Information Office of the State Council of the People's Republic of China, *China's National Defense in 2010*, White Paper, (Beijing: Information Office of the State Council of the People's Republic of China, 2011).

recognize that many Asian countries prefer to see at least some level of greater US involvement in the region...Hence, strong and vigorous efforts to challenge the US policy move could deepen regional concerns, provide more support to the United States, and generally promote greater tension and polarization across the region. None of this would serve China's interests.<sup>67</sup>

One wonders, given the counterfactual circumstance in which the US was not present, how much more aggressive China's behaviors would be towards its less powerful neighbors.

It is important to conclude the assessment of hedging with an acknowledgement of a fundamental weakness to the strategy. The weakness is that hedging has done little, if anything, to alter the CCP's steady pursuit of power. The CCP's strategic response to the constraints imposed by US hedging has been effective. As the CCP follows Deng's wise counsel to hide and bide, China will continue closing the relative power gap between itself and the US. The US will be able to leverage its alliances and partnerships to hedge against precipitous Chinese behavior, but the costs of conflict will grow and response options will diminish. The liberal theory regarding the presumption of enmity between democracies and authoritarian states will still apply, as will the realist theories regarding the perils of power transition between states. Interestingly, both liberal and realist IR theories support the proposition that the best outcome for the peace and stability of the international system would be for China to continue to liberalize economically and politically. How the US can best employ engaging and hedging to achieve this objective is the subject of chapter four.

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<sup>67</sup> Swaine, "Chinese Leadership and Elite Responses to the US Pacific Pivot," 14.

## CHAPTER 4

### Strategic Coherence of Engaging and Hedging

*Do I not destroy my enemies when I make them my friends?*

--Abraham Lincoln

The first three chapters of this paper have provided the context of, and theoretical underpinnings for, the two dominant elements of the US strategy towards China: engaging and hedging. Both liberals and realists make strong cases for their respective policy approaches. The observations and analyses offered by the first three chapters also imply that while both approaches are required, neither approach alone is sufficient for addressing the complexity and uncertainty of the future of US-China relations. The US requires the complementary elements of both engaging and hedging to manage its relationship with China. Given the need for both elements, the challenge for US policymakers is one of judging the optimal mix of the two elements in ways that support achievement of the desired outcome. The purpose of this chapter, then, is to provide a scenario-based analysis that illustrates the strategic coherence of engaging and hedging as well as to provide insights into how policymakers may employ engaging and hedging most effectively.

#### **Notes on Strategy and Strategic Objectives**

Prior to introducing the scenarios, it is important to establish several key concepts related to strategy and strategic objectives to guide and inform the analytical process. The first concept deals with the nature of strategy itself. Strategy can be a maddeningly amorphous concept that is “notoriously difficult to define.”<sup>1</sup> Part of the definitional

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<sup>1</sup> Williamson Murray and Mark Grimsley, "Introduction: On Strategy," In *The Making of Strategy: Rulers, States, and War*, edited by Williamson Murray, MacGregor Knox and Alvin Bernstein, 1-23 (New York: Cambridge University Press, 1994), 1.

challenge comes from the fact that strategy exists at multiple levels—national, operational, and tactical—and is frequently associated exclusively with military affairs or the use of force. As should be clear by now, this paper approaches strategy from a national or grand strategy perspective and includes all instruments of national power. In addition, this paper does not proffer a single definition of strategy as much as it draws from an aggregation of useful concepts derived from other definitions or descriptions of strategy.

Williamson Murray and Mark Grimsley capture several of these important concepts when they write, “Strategy is a process, a constant adaptation to shifting conditions and circumstances in a world where chance, uncertainty, and ambiguity dominate. Moreover, it is a world in which the actions, intentions, and purposes of other participants remain shadowy and indistinct, taxing the wisdom and intuition of the cannier policymaker.”<sup>2</sup> Professor Everett Dolman adds to this useful conceptual perspective when he wrote, “Strategy is an unending process that can never lead to a conclusion. And this is the way it should be: *continuation* is the goal of strategy—not *culmination*.”<sup>3</sup> Dolman later provided a succinct definition of strategy as “a plan for attaining continuing advantage.”<sup>4</sup> This paper adopts the position that the advantage sought can be manifest either as an advantage over a competing state or as an improvement in circumstance over time. In combination, the Murray-Grimsley and Dolman conceptualizations of strategy as an unending, dynamic process that seeks “continuing advantage” in uncertain circumstances are consistent with the perspective this paper advocates for US China policy.

The literature on strategy incorporates three additional concepts applicable to US-China policy. The first is the idea that strategy requires

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<sup>2</sup> Murray and Grimsley, "Introduction: On Strategy," 1.

<sup>3</sup> Everett Carl Dolman, *Pure Strategy: Power and Principle in the Space and Information Age* (New York: Frank Cass, 2005), 4.

<sup>4</sup> Dolman, *Pure Strategy*, 6.

careful coordination of ways (the “how” of strategy, in this case through engaging and hedging) and means (IOPs or resources) to achieve ends (objectives or desirable trends). B. H. Liddell Hart captures the relationship between ends and means when he wrote, “Strategy depends, first and most, on a sound calculation and coordination of the end and the means. The end must be proportioned to the total means.”<sup>5</sup> In all discussions of ends, ways, and means, there is an implicit injunction that states must recognize limitations to their power—and/or to the ways they can use their power—and must temper their ends accordingly.

A second concept, related to the first, is that strategy between states involves a battle of wills. Clausewitz captured the nature of this when he wrote, “War [or strategy] is not the action of a living force upon a lifeless mass but always the collision of two living forces...Thus I am not in control: he dictates to me as much as I dictate to him.”<sup>6</sup> Again, US policymakers must recognize limitations regarding how much power they have to influence events within a country as large and as complicated as China. Where US policy ends for China are divergent from CCP ends, US policymakers should expect a conflict of wills in which the US may not have the advantage. Where US policy ends for China are convergent with CCP ends, the US should leverage this alignment to the maximum extent possible.

Finally, and most pertinent to this paper’s arguments regarding the elements of engaging and hedging in the US approach towards China, strategy must be coherent. Coherence means “the resource deployments, policies and maneuvers that are undertaken should be consistent and coordinated. The coordination of action provides the

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<sup>5</sup> B. H. Liddell Hart, *Strategy* (New York: Penguin Books, 1967), 322.

<sup>6</sup> Carl Von Clausewitz, *On War*, Edited by Michael Howard and Peter Paret, Translated by Michael Howard and Peter Paret (Princeton, New Jersey: Princeton University Press, 1976), 77.

most basic source of leverage or advantage available in strategy.”<sup>7</sup> In other words, actions should not function at cross-purposes to one another in achieving strategic objectives. While elements of strategy may play distinct roles, they must also be complementary to each other in achieving the desired end state.

This discussion of strategy reintroduces the question of US strategic objectives for China. The theoretical analysis of the preceding two chapters helped identify China’s authoritarian government as a, perhaps even *the*, key irritant in the US-China relationship. From the liberal perspective, China remains outside the liberal democratic “zone of peace,” and there remains a continuing presumption of enmity between the US and China. From the realist perspective, power transitions are prone to conflict, especially when the rise of the challenger represents a change to the value system established by the hegemon. The continuing atmosphere of mutual suspicion and mistrust seems to support the validity of the observations of these two theoretical schools.

Alternatively, both schools suggest that China’s rise will be less problematic if China conforms to the liberal values accepted by the majority of members of the international system. US strategic objectives for China therefore focus on setting and maintaining conditions supportive of China’s continuing economic and political liberalization, or at the very least, ensuring the stability and viability of the liberal economic and political values of the current international system.

Given the strategic objective of supporting China’s continued liberalization, the challenge for US policymakers becomes one of determining the proper ways of doing so, consistent with available means. Engaging and hedging present themselves as the most effective ways of achieving this objective. Better still, they are ways well within the means of the US because, as the subsequent scenarios demonstrate,

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<sup>7</sup> Richard P. Rumelt, *Good Strategy Bad Strategy: The Difference and Why it Matters* (New York: Crown Business, 2011), 91.

they take advantage of processes already occurring within China. Used appropriately, engaging and hedging can also help mitigate the potential clash of wills with the CCP. The key is to employ them in a manner that fosters positive perceptions within China regarding the ideas conducive to China's economic and political liberalization. To this end, Jeffrey Legro wrote:

Managing a rising China will depend not on behavior per se but on the nature of the dominant ideas. When China espouses ideas and action that favor cooperative integration, it makes sense to do as much as possible to ensure that their internal supporters gain positive feedback and 'I told you so' leverage vis-à-vis their domestic critics. Likewise, when China displays consistent revisionist tendencies, such ideas should be penalized...Therefore, it behooves the international community to be proactive (not just reactive to behavior) by nurturing groups and ideas in China that offer more benign replacements to the less desirable alternatives.<sup>8</sup>

Legro then acknowledges that fostering these ideas within China is a sensitive process that will take time and, ultimately, China will still need to decide its own future.<sup>9</sup> Nevertheless, engaging and hedging can foster circumstances that assist China's adoption of these ideas.

To illustrate the coherence of the US' engaging and hedging strategy, the remainder of this chapter presents three possible scenarios for China's future. Following the description of each scenario, engaging and hedging will be analyzed in accordance with their roles in promoting continuing advantage for the US-China relationship, in balancing ends with means, and in accounting for the conflict of wills between the two states. The analysis of these disparate scenarios reveals that while some circumstances may require the US to emphasize one element over the other, neither element is sufficient on its own to address the spectrum of

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<sup>8</sup> Jeffrey W. Legro, "What China Will Want: The Future Intentions of a Rising Power," *Perspectives on Politics* 5, no. 3 (September 2007), 516.

<sup>9</sup> Legro, "What China Will Want," 516.

uncertainty that accompanies China's rise. This is even truer when the countless permutations of these scenarios are considered. US strategy must provide a wide range of flexible options for US policymakers.

### **Scenario One: Peaceful Evolution**

The best-case scenario for the US, China, and the international system is the case in which China undergoes a peaceful evolution to become a stable, prosperous member of liberalism's democratic "zone of peace." This scenario assumes China's recognition that it benefits from the current international system more than it could from any competing system it might establish. It also assumes continued economic prosperity, the CCP's acceptance of human rights and "the notion that democracy is not only a universally valid norm, but also one that could be helpful in overcoming many problems."<sup>10</sup> In this scenario, the CCP itself establishes a road map for China's transition to democracy complete with milestones and a reasonably firm timeline. This roadmap could build upon ideas already under debate within CCP circles such as theorist Yu Keping's proposals for "incremental democracy."<sup>11</sup> Peaceful evolution entails changes *within* the current international system rather than wholesale changes *of* the international system. Thus, the US would be more amenable to power transition as it feels reassured the current international value system is not threatened. Randall Schweller and Xiaoyu Pu describe additional systemic characteristics of this scenario:

The US unipolar distribution of power gives way to either a US-China bipolar system or a multipolar "great power concert" system, but it is still an international order dominated and run by major states, which establish a relatively stable system of cooperation and managed competition. All of these major states are status quo oriented, value global and regional stability, are willing to

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<sup>10</sup> Randall L. Schweller and Xiaoyu Pu, "After Unipolarity: China's Visions of International Order in an Era of US Decline," *International Security* 36, no. 1 (Summer 2011), 63-64.

<sup>11</sup> Yu Liu and Dingding Chen, "Why China Will Democratize," *The Washington Quarterly*, Winter 2012, 52.

make strategic bargains and compromises with one another, abide by great power norms of restraint and accommodation, and continue to move along a trajectory toward greater integration into a “one world” global political economy...It is a world without grand ideological divides and conflicts, where all states are deeply integrated within a unitary global system governed by the rule of law and centrally organized international institutions that place strict limits on the returns to power.<sup>12</sup>

This scenario represents an evolutionary timeline that may span decades and will require careful, patient management by US, Chinese and regional leaders.

Engagement plays the primary role in this scenario for at least two reasons. First, engagement fuels China’s economic prosperity and thereby unleashes inherently liberalizing forces into Chinese society. Engagement helps influence the CCP’s decision to liberalize because it presents the CCP with its own paradoxical conundrum. Although economic growth and rising living standards bolster CCP legitimacy in the short to mid-term, in the long term they create internal pressures for political reform. In the meantime, China’s economic growth allows China to continue to serve as an engine of global economic growth, from which the US may profit as well. Schweller and Pu describe, “In this way, a rising China can become not just a stakeholder but an indispensable pillar of the ‘one world’ capitalist system.”<sup>13</sup> Engagement is therefore consistent with US declarations that it “welcomes a strong, prosperous and successful China that plays a greater role in world affairs.”<sup>14</sup>

Second, engagement—whether it be through diplomatic, informational, economic, or other means—draws China out into the international system from its long seclusion behind walls of its own

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<sup>12</sup> Schweller and Pu, “After Unipolarity,” 62-63.

<sup>13</sup> Schweller and Pu, “After Unipolarity,” 63.

<sup>14</sup> Barack Obama and Hu Jintao, “US-China Joint Statement,” *The White House Office of the Press Secretary*, January 19, 2011, <http://www.whitehouse.gov/the-press-office/2011/01/19/us-china-joint-statement> (accessed January 23, 2013).

making. For example, growing wealth is allowing more Chinese citizens than ever before to travel abroad for business and leisure.<sup>15</sup> Apart from being yet another indication in itself of the liberalization trends in China, this aspect of engagement exposes Chinese officials and citizens to liberal ideals that demonstrate the stability, viability and desirability of civil liberties including freedoms of thought, belief and expression—especially as they apply to citizen participation in their own governance. This is not to say that Chinese will not find fault with many aspects of foreign society or politics. Indeed, for many Chinese, engagement will probably reconfirm the desirability of many Chinese cultural and political values. The point is that this type of engagement will cause many Chinese to question CCP claims that “western values” are antithetical to China’s domestic stability.<sup>16</sup> Popular observations of stable, prosperous, democratic societies—especially in places like Taiwan—will erode conservative CCP arguments regarding the need for single-party rule in China.

As described in the preceding two arguments, engagement meets the criteria for effective strategy. It lays the groundwork for the continuity of a mutually beneficial relationship between the US and China. It clearly provides economic advantages for both sides, but it provides an additional continuing advantage to the US in that it influences China’s evolution towards greater economic and political liberality in a manner acceptable to the US, if not the CCP. Furthermore, engagement represents an effective alignment of ends, ways, and means. Engagement with China does not require a line item in the US federal budget. Instead, US ends are achieved by the inexorable working of

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<sup>15</sup> Karla Cripps, "Chinese Travelers the World's Biggest Spenders," CNN, April 12, 2013, <http://edition.cnn.com/2013/04/05/travel/china-tourists-spend/index.html> (accessed April 17, 2013).

<sup>16</sup> Damien Ma, "Beijing's 'Culture War' Isn't About the US—It's About China's Future," *The Atlantic*, January 5, 2012, <http://www.theatlantic.com/international/archive/2012/01/beijings-culture-war-isnt-about-the-us-its-about-chinas-future/250900/> (accessed March 11, 2013).

economic processes already underway that Adam Smith, Immanuel Kant, and others identified centuries ago. Even better, US commercial entities are not alone in these processes of engagement. All entities conducting commerce with China assist in this process whether they intend to or not.

Finally, engagement addresses the strategic issue of the clash of wills. Engagement brings US and CCP proximate objectives into alignment, albeit for obviously different reasons. For the US, engagement supports regional stability while also spurring on the economic development that in turn introduces popular will into the ruling equation in China, a necessary process in China's on-going political evolution. For the CCP, engagement brings economic development and improvement in Chinese living standards, thereby garnering a measure of legitimacy for the Party. Furthermore, growing wealth also allows China to close the power gap with the US and hasten the arrival of the CCP's stated strategic goal of a multipolar world order. As these positive things happen, reforming elements may feel more confident in moving forward with liberalizing reforms. The key for the US will be in communicating the idea that these positive trends are related to China's support for the current system and moves to reform. They are not the result of the CCP's more oppressive, conservative characteristics.

While peaceful evolution represents the best-case scenario over the long run, US strategists must expect and prepare for a strategic clash of wills in the short to medium term. Engagement in this scenario sets in motion a kind of race between competing trends. On one side are the liberalizing forces of economic growth and rising living standards. These forces will spur popular demand for reform and influence liberal factions within the CCP. On the other side are conservative elements in the CCP—many of whom derive significant personal or family wealth from their political power—that will resist demands to share or cede power. Indeed, the CCP has demonstrated adroitness in using censorship,

propaganda, intimidation and nationalistic sentiment to justify its hold on power. Aaron Friedberg captures the dangerous dynamics of this situation when he wrote,

It is precisely when nations are in transition from authoritarianism toward democracy that they are most likely to initiate conflict with their neighbors...The reasons for this pattern appear to lie in the internal processes of societies in which the pressures for political participation are increasing, but in which effective democratic institutions have yet to emerge. Elites in such societies often use militant nationalist appeals in an attempt to mobilize and channel mass support without surrendering their grip on power...If past patterns hold, and if China is indeed in the early stages of democratization, the road ahead may well be bumpy.<sup>17</sup>

The potential bumpiness in the road is the reason why hedging is a required element of the US strategy towards China. Employed as a complement to engagement, hedging too meets the criteria for effective strategy. In the peaceful transition scenario, hedging plays a secondary but important role in reinforcing regional security stability during China's transition period. By dissuading Chinese nationalistic adventurism with its neighbors and by reassuring those same neighbors of US commitments to their security, hedging keeps the negative effects of a security dilemma at bay, buying time for the processes of engagement to work.

It is during the early period of China's transition that hedging plays its most visible role. US hedging practices provide the US with continuing advantages that China does not enjoy. For example, the US' close security relationships with long-standing allies and partners, stand in juxtaposition to China's strategic solitude. The US' role as the broadly accepted security guarantor at the heart of the region's security architecture brings with it trust, cooperation, diplomatic leverage, and significant military advantages, all of which provides the US with a wide

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<sup>17</sup> Aaron L. Friedberg, "The Future of US-China Relations: Is Conflict Inevitable?" *International Security* 30, no. 2 (Fall 2005), 30-31.

range of options for shaping and influencing the regional environment. However, for all of these advantages, the US must be mindful of the fine line between China's deterrence, ally and partner reassurance, and inadvertently stoking the flames of the regional security dilemma.

In this early period of evolution, the contest of wills between the US and conservative elements within China will be readily apparent. For example, some Chinese defense officials will undoubtedly object to US hedging practices, claiming "the United States is destabilizing the Asia-Pacific region by strengthening its military alliances and sending more ships, planes, and troops to the area."<sup>18</sup> The US should also be aware that the key contest of wills will actually take place within China between the citizens and the CCP and between reformers and conservatives within the CCP itself. The US can influence these contests through consistent messaging to Chinese audiences that the US and the international community accept China's peaceful rise—especially if it is a liberalizing China that is rising—but are more than capable of dealing with anything less. In this scenario, one should consider the "Pacific Pivot" as perhaps the temporary high water mark of hedging; an appropriate response to China's recent alarming assertiveness. However, the "pivot" may also be on the borderline of disruptive to the processes of engagement. The US must take care to consider its long-term ends for China and the region as it decides exactly what "rebalancing" in the Asia-Pacific entails.

Hedging is an effective way to reconcile ends and means. Hedging measures against China are significantly less costly than a Cold War-style containment regime would be, if that were even possible given the

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<sup>18</sup> Associated Press, "China Military Says US Destabilizing Asia-Pacific by Boosting Armed Forces' Presence in Region," *The Washington Post*, April 16, 2013, [http://www.washingtonpost.com/world/asia\\_pacific/china-military-says-us-destabilizing-asia-pacific-by-boosting-armed-forces-presence-in-region/2013/04/16/b515fdb-a656-11e2-9e1c-bb0fb0c2edd9\\_story.html](http://www.washingtonpost.com/world/asia_pacific/china-military-says-us-destabilizing-asia-pacific-by-boosting-armed-forces-presence-in-region/2013/04/16/b515fdb-a656-11e2-9e1c-bb0fb0c2edd9_story.html) (accessed April 17, 2013).

size and complexity of the ties between the two countries. Additionally, close relationships between the US and its allies and partners help defray the US costs of serving as the regional security guarantor. US allies and partners maintain interoperable capabilities, provide basing, and access to other services that defray US security costs. Furthermore, this scenario envisions the possibility that China's political evolution eventually allows it to assume a trusted agent role in Asia, thereby permitting the US to cooperate with China as another partner in maintaining regional stability.

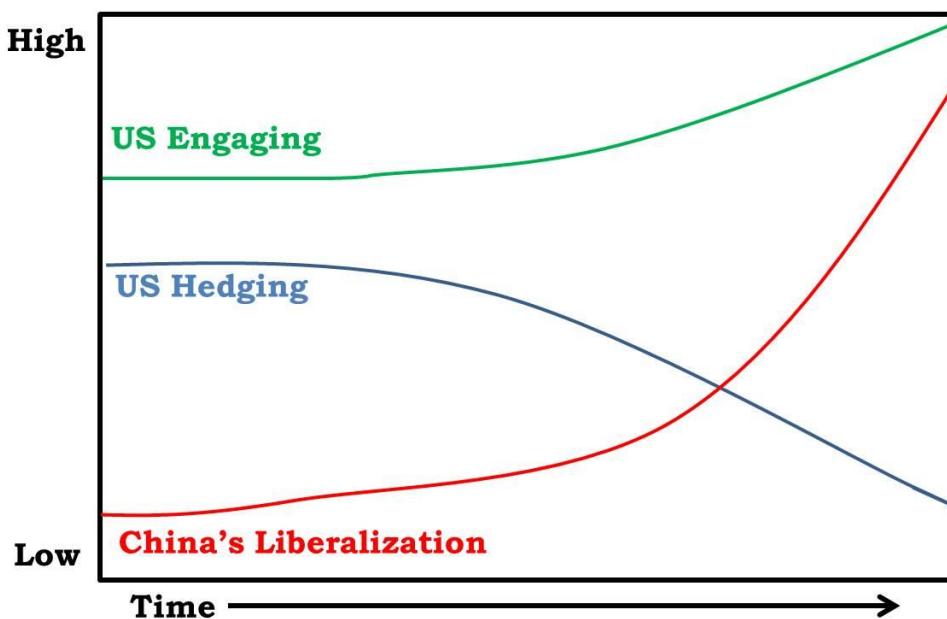
As China's peaceful evolution continues, hedging measures should recede further into the background of the relationship. Signs in the security realm that this point is approaching will include a decrease in the heated nationalistic rhetoric regarding disputed territory with China's neighbors, a slowing of Chinese defense spending from its present double-digit pace, and, eventually, a renunciation of the use of force to effect reunification with Taiwan. Indeed, Taiwan plays a key role in evaluating China's evolution. Taiwan President Ma Ying-jeou stated in a 2010 interview "that any negotiation of political union with mainland China would require China to become a democracy."<sup>19</sup> If and when Taiwan feels confident enough in China's liberalization to begin such negotiations, US policymakers will have a clear indication of the depth of China's reforms. Over time, as the "presumption of enmity" becomes a "presumption of amity," the security aspect of the relationship can become an element of the engagement effort by promoting greater security cooperation across a broad range of shared interests and issues. US-China security cooperation then contributes to positive continuity for both sides in the relationship.

As figure 2 summarizes, engaging and hedging both play important roles as elements of a coherent US strategy towards China. High levels

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<sup>19</sup> Liu and Chen, "Why China Will Democratize," 58.

of diplomatic, informational, and economic engagement throughout the transition process will help maintain the momentum of liberalizing pressures within China and reinforce the success of reform-minded factions within the CCP. Greater engagement as liberalization progresses will likewise help minimize interruptions to the liberalizing trend. While engaging plays the primary role, hedging's contributions to maintaining a stable security environment are crucial—especially during the early stages of China's evolution. As China's transition from authoritarianism to a more democratic form of government reaches maturity, hedging activity should decline in a corresponding manner. The US should use hedging as a method of strategic communication that political reform brings with it security as well as economic benefits.



**Figure 2: Levels of US Engaging and Hedging Behaviors in Peaceful Evolution Scenario**

Source: Author's Original Work

China's peaceful evolution represents only one possible scenario for China's future. Scenarios two and three represent less optimistic scenarios in which engaging and hedging still play complementary, if somewhat different, roles in forming a single coherent strategy.

## **Scenario Two: Evolution Resistance**

As evident in the first scenario, China's future depends tremendously on decisions made by the CCP. Although there are many reasons for the CCP to guide China through a process of liberalization, there are also many reasons why the CCP will resist liberalization. The danger for China is that prolonged resistance to liberalization will function as a political pressure cooker wherein unresolved contradictions within the current economic and political systems build to a culminating explosion of social turmoil similar to the on-going Arab Spring movements. In China's case, such a "Jasmine Revolution" would likely usher in an extended period of economic and political turmoil detrimental not only to China, but to the US and the international system as well.

The evolution resistance scenario is based upon the CCP's entrenched institutional interests in maintaining its monopoly on political power. China scholar Minxin Pei's observations regarding the stagnation of China's political evolution capture the dynamics of the evolution resistance scenario. Pei wrote, "The combination of market reforms and preservation of a one party state creates contradictions and paradoxes, the implications of which the ruling elites have either chosen to ignore or are reluctant to face directly. For example, the market-oriented economic policies, pursued in a context of exclusionary politics and predatory practices, make the CCP increasingly resemble a self-serving ruling elite, and not a proletarian party serving the interests of the working people."<sup>20</sup> That China's self-serving ruling elite would be reluctant to share power is no surprise. Pei cites former CCP General Secretary Zhao Ziyang, deposed by CCP hardliners following the 1989 Tiananmen protests for being too soft in responding to the protesters, as identifying this problematic aspect of CCP rule. Zhao wrote:

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<sup>20</sup> Minxin Pei, *China's Trapped Transition: The Limits of Developmental Autocracy* (Cambridge, MA: Harvard University Press, 2006), 7-8.

The problem is, the CCP is a party built on the basis of Leninism. It controls all the resources of the country...under a market economy, after property becomes legitimate and legal, the CCP inevitably becomes corrupt. Those with power will certainly use their control of the resources to turn society's wealth into their private wealth. These people have become a huge entrenched interest group...What China has now is the worst form of capitalism...Western capitalism in its early phase was also bad, but it could gradually become more progressive. But the worst form of capitalism in China today is incapable of becoming more progressive.<sup>21</sup>

The phenomenon of CCP members turning society's wealth into private wealth is an open, albeit embarrassing, secret. Even former Premier Wen Jiabao, or "Grandpa Wen" as he is popularly known in China, managed to parlay his power into personal and family wealth approaching \$2.7 billion.<sup>22</sup> Wen had carefully cultivated a reputation as a liberalizing reformer of the people and New York Times reporting on the extent of his corruption was a major embarrassment for the Party. CCP security organs have become adept at censoring, blocking or harassing any sources that report on CCP corruption. In Wen Jiabao's case, the CCP blocked Chinese internet access to the New York Times within hours of the story's appearance and subsequently launched a four-month hacking campaign against reporters and computers at Times offices in New York.<sup>23</sup> Wen is only one of thousands of Party officials discovered regularly to have unexplainable wealth. Pei cites estimates that the costs of CCP corruption in China may range as high as 17% of GDP.<sup>24</sup>

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<sup>21</sup> Pei, *China's Trapped Transition*, 8.

<sup>22</sup> David Barboza, "Billions in Hidden Riches for Family of Chinese Leader," *New York Times*, October 25, 2012

[http://www.nytimes.com/2012/10/26/business/global/family-of-wen-jiabao-holds-a-hidden-fortune-in-china.html?pagewanted=all&\\_r=0](http://www.nytimes.com/2012/10/26/business/global/family-of-wen-jiabao-holds-a-hidden-fortune-in-china.html?pagewanted=all&_r=0) (accessed April 19, 2013).

<sup>23</sup> Nicole Perlroth, "Hackers in China Attacked the Times for Last Four Months," *New York Times*, January 30, 2013,

<http://www.nytimes.com/2013/01/31/technology/chinese-hackers-infiltrate-new-york-times-computers.html?pagewanted=all> (accessed April 19, 2013).

<sup>24</sup> Pei, *China's Trapped Transition*, 14.

With such rewards at stake, it is no wonder the CCP is so concerned with regime security. CCP membership numbers nearly 80 million, providing the Party with sufficient personnel resources to closely monitor and respond to any potentially subversive activity by the rest of the population. Richard McGregor described how the CCP maintains its security:

Since installing itself as the sole legitimate governing authority of a unified China in 1949, the Party and its leaders have placed its members in key positions in every arm, and at each level, of the state. All the Chinese media come under the control of the propaganda department, even if its denizens have had to gallop to keep up in the internet age. And if anyone decides to challenge the system, the Party has kept ample power in reserve, making sure it maintains a tight grip on the military and the security services, the ultimate guarantors of its rule. The police forces at every level of government...have within them a “domestic security department,” the role of which is to protect the Party’s rule and weed out dissenting political voices before they can gain a broad audience.<sup>25</sup>

The Party further secures its monopoly of power by ensuring “its members alone have the skills, experience and networks to run the country...The Party’s logic is circular. There can be no alternative because none is allowed to exist.”<sup>26</sup>

In the resistance scenario, the CCP exhibits many of the behaviors identified in previous chapters of this paper. Here, the Party is concerned first with maintaining its rule, brooking no domestic dissent and resisting further liberalization. CCP legitimacy remains founded on the wobbly twin pillars of economic growth and nationalism. Accordingly, the CCP priority remains domestic stability, seeking to maintain favorable external relations only inasmuch as these relations contribute to China’s economic growth and satisfaction of the population

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<sup>25</sup> Richard McGregor, *The Party: The Secret World of China's Communist Rulers* (New York: HarperCollins, 2010), xiii.

<sup>26</sup> McGregor, *The Party*, xiv.

sufficient to preclude a serious threat to CCP rule. Accordingly, one may interpret CCP attempts to claim international prestige as efforts to build legitimacy in the eyes of its domestic audience. Because of this, CCP demands for international prestige are seldom accompanied by acceptance of significantly greater responsibility for international well-being. In this way, CCP foreign policy is more about style than substance, and very much in keeping with Deng’s hide and bide strategy. Given these observations, it is possible to adapt Schweller and Pu’s description of China’s employment of a “shirker strategy” to this resistance scenario. In their words, “Far from aiming to overthrow the international order, rising powers [China] are not eager to manage the existing international order. They would prefer, instead, that the declining hegemon pay the costs of order, while they free ride.”<sup>27</sup>

The danger with the resistance scenario is that eventually the CCP elite will no longer be able to maintain its basis for legitimacy while they continue to plunder the country’s resources. The consequences of trying to do so will manifest themselves in a cycle of growing internal dissatisfaction and instability, which the CCP may attempt to deflect with ever more “assertive” international behavior. As evidenced earlier, the CCP is not above inciting nationalist passions as a means of bolstering domestic legitimacy. Indeed, popular demonstrations against local government, so-called “collective actions,” are more numerous than ever, growing from “8,700 in 1993 to 90,000 in 2006, and then doubling to 180,000 in 2010.”<sup>28</sup> While correlation may not indicate causality, it is interesting to note that China began increasing its assertive behavior towards its neighbors over territorial disputes in the 2008-2009 timeframe.

In this resistance scenario, US strategy will again require a robust, coordinated engaging and hedging approach towards China.

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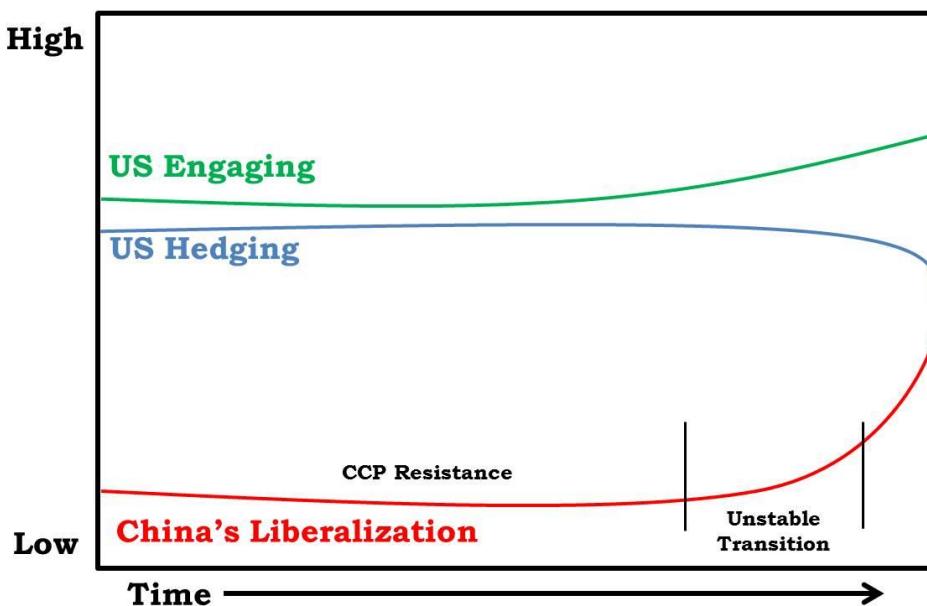
<sup>27</sup> Schweller and Pu, “After Unipolarity,” 65.

<sup>28</sup> Liu and Chen, “Why China Will Democratize,” 48.

Engagement will continue to play the dominant role for two reasons. First, as emphasized repeatedly in this paper, engagement spurs liberalization. This argument need not be repeated here. Second, when pent-up demand for reform reaches its culminating point, it is likely to manifest itself suddenly as widespread anti-government demonstrations—the much-discussed “Jasmine Revolution.” The lack of a well-organized political opposition, combined with CCP failure to plan an orderly political transition, could result in an extended period of political violence and economic turmoil. The US must approach such a situation with great caution, understanding that the outcome will ultimately be a Chinese decision. Nevertheless, if as expected, the result of the turmoil is a plan for liberal reform or even a nascent democratic government, the US should support the viability and stability of that outcome by encouraging a full spectrum of increased engagement with China. Assisting in the resumption of Chinese economic growth following this period of turmoil will be the US’ most effective contribution.

Once more, engagement meets the criteria of effective strategy. Engagement establishes the foundations for positive continuity in the relationship before and after the period of turmoil. Engagement provides advantage to the US in that it establishes acceptable long-term conditions for stability in the international system and encourages friendly relations with a newly liberalized great power. Again, engagement is an effective reconciliation of ends and means, because it takes advantage of trade and commerce processes already occurring in the form of US and international commerce with China. Finally, engagement mitigates the initial conflict of wills by taking advantage of the CCP’s paradox: the need to maintain economic growth to remain in power but the likelihood that economic growth will result in loss of power. Post-turmoil, US and Chinese wills can align along the need for greater engagement for mutual benefit.

In the resistance scenario, hedging will play an extended role when compared to its role in the peaceful transition scenario. As indicated, CCP resistance to liberalization will continue to manifest itself through internal suppression and nationalistic distraction. Hedging will ensure the US and its regional allies are postured to deal with potential security provocations and to keep them confined to manageable levels. The US must be prepared to maintain this hedging posture—as exemplified by the “pivot”—for an extended period, communicating deterrence and reassurance supportive of regional stability. During the culmination period of the resistance scenario, US policymakers must maintain vigilance without aggravating Chinese security concerns. As the post-turmoil situation becomes clear in favor of a liberal outcome, hedging measures should cease as soon as practicable to communicate a benign security situation in favor of China’s liberalizing direction.



**Figure 3: Levels of US Engaging and Hedging Behaviors in Evolution Resistance Scenario**

Source: Author's Original Work

Hedging provides continuity and advantage by keeping regional security tensions from escalating to an unacceptable level, thereby

reinforcing acceptance of the US as a trusted agent and setting the conditions for successful engagement outcomes in China. In so doing, hedging reconciles ends with means by keeping security costs at an acceptable level—especially when compared with the costs of containment or the even greater costs of armed conflict with China. Finally, hedging will provoke a conflict of wills during the extended resistance phase of this scenario. The CCP and PLA may be displeased with their limited ability to channel popular dissatisfaction away from the government and toward nationalistic causes. Following the transition period of this scenario, the decrease in US hedging measures will align bilateral security interests in establishing a mutually acceptable security environment.

As figure 3 illustrates, engaging and hedging again play important roles as elements of a coherent US strategy towards China in an evolution resistance scenario. High levels of diplomatic, informational, and economic engagement will encourage liberalizing factors during the CCP's resistance phase. Even higher levels of engagement will be required to assist China to stabilize and reinforce its nascent liberalization in the post-transition phase. While engaging plays the primary role, hedging's contributions to maintaining a stable security environment are important throughout the resistance phase. They are especially important during the early stages of the unstable transition phase when the risks of nationalistic diversion may be the highest. Once more, when it becomes clear that China is on a stable, liberalizing path, hedging activity should decrease to communicate confidence in and support for China's liberalizing direction.

### **Scenario Three: Illiberal Power Transition**

The first two scenarios exemplify the cohesion of engaging and hedging as appropriate elements of US strategy towards China as it moves along two different paths to liberalization. The third and final scenario illustrates how a coordinated engaging and hedging strategy is

still required for a scenario in which China remains an authoritarian, one-party state even as it surpasses the US in terms of economic, and possibly even military, power. This scenario may represent the most desirable outcome for conservative, nationalistic elements within the CCP, but it also presents the most dangerous course from the perspectives of realism's power transition theory and the historical record of such transitions. The challenge for US policymakers in this scenario will be to resist the systemic inertia towards conflict through coordinated employment of engaging and hedging.

In this illiberal power transition scenario, the CCP maintains its political monopoly, resisting demands for liberalization through a combination of continued economic growth, political repression and an effective alternative vision to the “US hegemonic ideology” of continued “US hegemony, capitalism, democracy and Western culture.”<sup>29</sup> Schweller and Pu describe the origins of this scenario when they write about the possibility of China’s adoption of a “spoiler strategy” against the US:

An ambitious and controversial idea within China, the vision of a new Chinese order suggests that (1) Chinese traditional philosophy provides a better framework than the current order to deal with world problems; (2) US hegemony is losing international legitimacy; (3) Chinese political and economic systems are gaining legitimacy and provide the basis for a better social model for the world; and (4) China should build a global *datong* (Great Harmony) society, in which emphasis is given to social welfare and collective goods. This vision aims to undermine the legitimacy of US hegemony in a comprehensive sense...Prior to a traditional hegemonic bid to overthrow the current order, China must successfully challenge the ideational foundations of the existing liberal order and offer an appealing blueprint for a new one.<sup>30</sup>

If China does indeed decide to challenge the existing liberal order, the CCP’s effort is aided, at least superficially, by China’s successful weathering of the global financial crisis of the last five years in

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<sup>29</sup> Schweller and Pu, "After Unipolarity," 59.

<sup>30</sup> Schweller and Pu, "After Unipolarity," 59.

comparison to how the US and Europe have fared. Indeed, while China remains ascendant by most power measures, US and European economic woes have led to extended lackluster economic growth, high unemployment, and massive government budget cuts. The differences are evident in military terms as well. While the PLA's budget has continued to grow at its double-digit pace through 2013, US and European militaries, already strained by more than a decade of conflict in the Middle East, are now experiencing significant budget and force structure cuts.

China scholar Eric Li acknowledges that China still faces multiple daunting challenges but argues that the CCP is capable of providing the effective governance required to solve China's problems. Li wrote:

Beijing will be able to meet the country's ills with dynamism and resilience, thanks to the CCP's adaptability, system of meritocracy, and legitimacy with the Chinese people. In the next decade, China will continue to rise, not fade. The country's leaders will consolidate the one-party model and, in the process, challenge the West's conventional wisdom about political development and the inevitable march toward electoral democracy. In the capital of the Middle Kingdom, the world might witness the birth of a post-democratic future.<sup>31</sup>

In the same paper, Li later notes how "the legitimacy of nearly all US political institutions is crumbling," as evidenced by US polls showing record low approval ratings in the mid-teens for Congress and around 50 percent for both President Obama and the Supreme Court.<sup>32</sup> This stands in contrast to Pew Research Center polling in China from 2011 in which "87 percent of respondents noted satisfaction with the general direction of the country, 66 percent reported significant progress in their lives in the past five years, and a whopping 74 percent said they expected the

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<sup>31</sup> Eric X. Li, "The Life of the Party," *Foreign Affairs* 92, no. 1 (2013), 35.

<sup>32</sup> Li, "The Life of the Party," 45.

future to be even better.”<sup>33</sup> However, Li stops short of declaring China’s political system will eventually supplant electoral democracy, explaining, “It cannot be exported. But its success does show that many systems of governance can work when they are congruent with a country’s culture and history. The significance of China’s success, then, is not that China provides the world with an alternative but that it demonstrates that successful alternatives exist.”<sup>34</sup>

Transition to a bi-polar world order between two great powers with different defining ideologies would not be unfamiliar territory for the US. The Cold War provided four decades of recent experience in managing such a relationship. However, US strategists would need to be careful to consider the new bipolarity on its own merits. US Policymakers should resist the temptation to look at containment strategy for answers about dealing with China because a return to Cold War bipolarity is in neither country’s interest. Liberal IR theory regarding the peace-supporting interplay of the elements of the Kantian triangle—economic interdependency, international institutions and democracy—remain applicable. Realist tenets regarding power transitions in the international system also remain applicable. How then should the US respond to an ascendant illiberal peer? With very carefully considered engaging and hedging, of course.

Engagement will again be crucial in order for the US to maintain continuing advantage in the relationship for at least four reasons. First, China will have little incentive to attempt an overthrow of the current US-promulgated international system so long as it continues to benefit from the system. The current system has fostered the growth of economic interdependencies and international institutions that mitigate the effects of chaos in the international system, thereby promoting peace and stability. The US can continue to benefit strategically from the

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<sup>33</sup> Li, “The Life of the Party,” 39.

<sup>34</sup> Li, “The Life of the Party,” 45.

success of the system it has supported since World War II. Second, as China becomes the world's largest economy, the US will profit proportionally more than it currently does. The US market is already mature while China's market will continue to expand as a larger percentage of Chinese join the ranks of the middle class. In other words, there is more room for the US to increase exports to China than there is for China to increase exports to the US. Third, the US and China will still need to work together on a broad range of international issues where the two share interests. Diplomatic and informational engagement will facilitate the needed cooperation. Finally, although this scenario depicts China's successful resistance to liberalization for an extended period, it does not preclude the possibility that liberalization may still occur at a later date.

In the illiberal power transition scenario, engagement will continue to reconcile ends and means, although the ends will need some adjustment. Success of the Chinese system will forestall achievement of the previously identified policy objective to seek liberalization in China. Instead, the US will need to focus on the more proximate objectives of maintaining peace, stability and prosperity in the US-China relationship. Henry Kissinger concurs with this less lofty approach when he advises, "What this situation [China's rise] calls for is not an abandonment of American values but a distinction between the realizable and the absolute. The US-Chinese relationship should not be considered as a zero-sum game, nor can the emergence of a prosperous and powerful China be assumed in itself to be an American strategic defeat."<sup>35</sup> Engagement supports achievement of these intermediate objectives with minimal government costs through the normal operations of the myriad day-to-day activities of government, commercial, educational, and private entities involved with China. Peace and stability through engagement is

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<sup>35</sup> Henry A. Kissinger, "The Future of US-Chinese Relations," *Foreign Affairs* 91, no. 2 (2012), 48.

still considerably less costly than most other alternatives. Engagement will also allow the US to negotiate the certain conflict of wills across a range of issues. The key is to maximize shared interests and minimize the issues stemming from divergent interests.

Hedging in the illiberal power transition scenario is a more complicated manner. The liberal “presumption of enmity” will remain a factor as will the dangers identified by realist power transition theories. More specifically, how China deals with the temptation to use its power advantages in pursuing its interests in the region will be important. The relative decline in US means for employing the military IOP, vis-à-vis a militarily more powerful China, is yet another factor. As Kissinger declared, “What Washington must not do is combine a defense policy based on budgetary restraints with a diplomacy based on unlimited ideological aims.”<sup>36</sup> This may be easier said than done: as the long-time champion of the liberal international order, the US will be tempted to do just that.

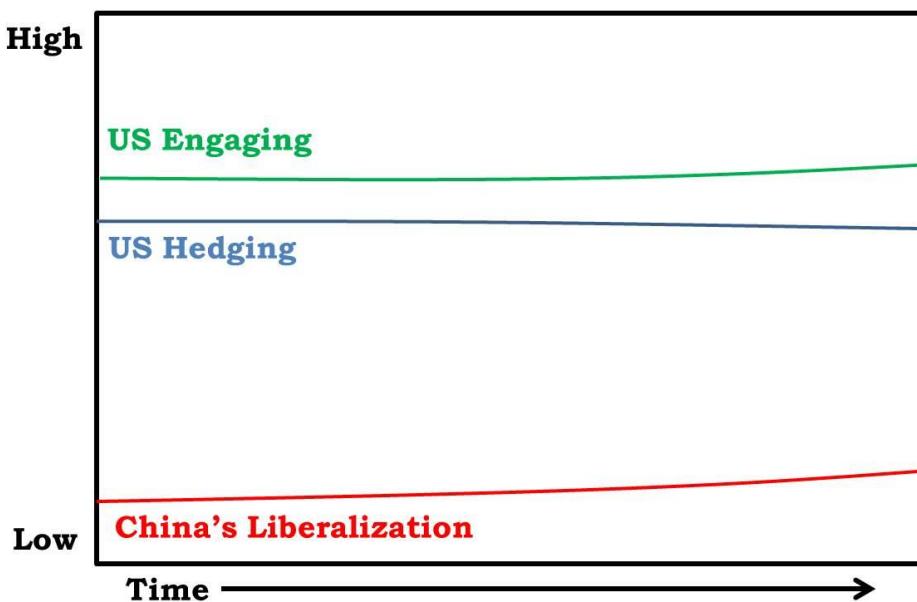
Hedging, employed as a complement to engaging, once more provides the optimal security strategy for dealing with a future in which China is number one. First, US policymakers will face a tremendous challenge in resisting the systemic inertia towards conflict in this scenario. Hedging presents itself as an effective approach to avoiding elevation of regional security tensions in the way a more overtly aggressive strategy would, thereby promoting continuity in US-China relations. Hedging will continue to induce cautious security behaviors on China’s part, while at the same time respecting China’s security sensitivities at a level acceptable to Beijing. Moreover, hedging in this scenario provides advantages to the US in terms of contributing to China’s ideologically induced, strategic solitude. As Li acknowledged, the success of the CCP’s one-party system is appropriate for China’s unique

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<sup>36</sup> Kissinger, "The Future of US-Chinese Relations," 49.

culture and history and is not suitable for export. Because of this, the US will continue to enjoy the advantages of shared ideological values with its allies and partners in the region. In this way, hedging also allows the US to share the costs of regional security instead of bearing them alone, thereby reconciling its limited ends with its limited means.

Finally, hedging will provide US policymakers with the options they need in the ongoing conflict of wills with their Chinese counterparts. For example, China's strategic solitude will require the CCP to continue to act cautiously in its foreign policy. Lacking the ideological legitimacy conferred from membership in the liberal democracy block, China has a special onus to act peaceably as a "responsible power." Only after a lengthy track record of non-disruptive behavior, can China hope to create broader acceptance for any competing visions it might advance against the US. For this reason, the US must also act with exemplary prudence in order to maintain the faith and unity of its democratic partners. So long as the US does not act precipitously to China's rise, hedging can continue to support the conditions for China's strategic solitude, thereby constraining China's potentially disruptive behavior.



**Figure 4: Levels of US Engaging and Hedging Behaviors in  
Illiberal Power Transition Scenario**

Source: Author's Original Work

As figure 4 illustrates, engaging and hedging once again play important roles as complementary elements of a coherent US strategy towards China in the illiberal power transition scenario. Engagement will complicate China's ability to contest the US-led system because China will still derive great benefits from participating in the system in terms of regional stability and economic prosperity. Moreover, continued high levels of engagement will allow the US to profit from China's economic growth. Both engaging and hedging play complementary roles in achieving the proximate ends of regional peace, stability, and prosperity instead of the outright liberalization of China. Nevertheless, because of the continuing presumption of enmity and the perils of power transition, hedging behavior will remain at a high level throughout the scenario. Hedging again provides policymakers with security options commensurate with the strategic challenge, yet short of a return to a Cold War-style confrontation that would benefit neither side.

Readers will recognize that while the three scenarios presented in this chapter are distinct, they still have overlapping elements. These overlapping elements make it difficult for analysts to tell which scenario is the most likely and where we are in the timeline of that scenario. For example, one may argue the liberal resistance scenario best represents the current real-world situation. Yet it would still be difficult to argue where China is on the scenario timeline. Did the period of unstable transition begin in 1989 at Tiananmen? Does the rapidly increasing number of "collective actions" every year mark the imminent arrival of a "Jasmine Revolution?" The same kinds of questions pertain to all the scenarios. Despite the ambiguity and uncertainty of each scenario, they all indicate that engaging and hedging complement each other well, providing US policymakers with a coherent strategy by which the US can manage its relations with China.

## CHAPTER 5

### Conclusions

*Thus, those skilled in war subdue the enemy's army without battle. They capture his cities without assaulting them and overthrow his state without protracted operations.*

--Sun Tzu

China's rise presents the US with what is likely to be the US' major strategic challenge in the coming decades. No other international relations issue holds the potential to change the US-led international system as fundamentally as does the rise of China. At the conclusion of World War II, the US took up where Britain left off in creating and expanding an international order based on liberal economic and political principles. The US has presided over this system for nearly seven decades—almost three decades of which it has sat alone, serving in the role of global hegemon and protector of the system. One of the great indicators of the success of the system is the extent to which other states, operating mostly in accordance with the system's norms and values, have been able to benefit from the system. China represents an outstanding example of such a state.

However, China's rise also introduces tremendous uncertainty regarding the future of the current liberal international system because China remains an authoritarian state. China's rulers have proclaimed that its peaceful rise does not pose a threat to the system nor to any country and it seeks simply to pursue a path of peaceful development in harmony with the international community. Yet at the same time, the CCP has also translated much of its new economic wealth into military power in a sustained, rapid drive towards military modernization that has alarmed its neighbors and concerned the US. Moreover, China's

stated goal of seeking a multipolar world naturally paints China as a revisionist power. Uncertainty stems from the conflicting analyses regarding the motivations and intentions of Chinese behavior. This uncertainty is compounded by the opaque nature of Chinese politics, a Chinese strategic culture that values patience and deception, and China's perpetuated aggrieved nationalism.

In response to China's rise, the US has adopted a simultaneous engage but hedge strategy that, at first look, seems to operate at cross-purposes to itself. Engagement, in all its elements, has propelled China onto the world stage, bringing with it economic development—unprecedented in world history—that has admirably lifted hundreds of millions of Chinese from poverty. Engagement has also provided the CCP with the means to fund the aforementioned military modernizations wherein the world's largest military is now also one of its best equipped. In response, the US has employed a hedging strategy to mitigate growing concern regarding how China will use its resurgent power. This paper argues that although engage but hedge has its paradoxical elements, deeper analysis reveals that the elements are actually complementary to each other and form a coherent strategic approach. Engage but hedge provides US policymakers with the broad range of options required to manage the complexity and uncertainty of US-China relations.

International relations theory—the schools of liberalism and realism, specifically—provided useful lenses through which to analyze each component. Liberal IR theory revealed the underpinnings and purposes of the US' engagement with China. According to liberal IR theory, a triple combination of economic interdependence, international institutions and democracy mitigate the effects of anarchy in the international system, motivating self-interested cooperation that fosters peace. Simply put, as states benefit from their economic ties, they seek to protect, promote and expand those ties through the establishment of international institutions. At the same time, growing economic

prosperity promotes the development of liberal democratic forces within a state, leading to political liberalization commensurate with the preceding economic liberalization. As states democratize, they become members of an informal liberal “zone of peace” in which liberal states—thus far, at least—do not go to war against other liberal states. Unfortunately, the opposing corollary to the liberal peace theory is that democracies frequently go to war with illiberal states because of a “presumption of enmity” between the two systems. US policymakers intend for engagement with China to bring these pacifying forces to bear on China’s development, helping China to liberalize and become a member of the peaceful community of democracies. From the US perspective this would safeguard the liberal values of the present international system and reduce the possibility of conflict with China. For China, assuming its continued rates of economic growth, this would mean an easier accession to greater economic prosperity and international prestige as it overtakes the US as the world’s largest economy sometime in the next two decades.

Realist IR theory revealed the underpinnings and purposes of the US’ hedging against China. According to realism, states pursue their interests within an international system in which anarchy is the dominant feature. Anarchy, the lack of an overarching authority to protect states from each other, creates a self-help environment in which states can only depend upon themselves to secure their most basic interest of survival. In order to secure their survival, states naturally devote resources to developing military capabilities with which to defend themselves. Unfortunately, the state of suspicion that exists between states causes states to view such actions with alarm, thereby igniting what theorists call a security dilemma, which can spiral tragically downward into arms races, conflict, and even war. Furthermore, realism’s power transition theory posits that hegemonic war is a distinct probability when a rising power (China) challenges an established hegemon (the US). The threat of conflict can be mitigated when the

rising power shares the same values as the declining hegemon. In such a case, the hegemon is more inclined to accept the peaceful transition because the challenger does not threaten the value system the hegemon has established.

These theoretical perspectives provide insight into why engaging and hedging are both required, but why neither is sufficient on its own. Given the context of the US-China relationship, engagement without hedging presents the US and the international system with dangers it cannot accept. Conversely, hedging without engagement simply invites the worst aspects of the realist security dilemma to take effect in the relationship. However, when engaging and hedging are employed as complements to each other as part of a coherent strategy, they provide the US with continuing advantage in reconciling ends with means to address the conflict of wills in the relationship. In its simplest form, hedging sets the security conditions and buys the time required for engagement processes to work in China.

The three scenarios presented in chapter 4 illustrate how engaging and hedging complement each other as elements of a coherent strategy. In all three scenarios, engagement plays the dominant role and hedging plays a secondary, albeit important, role. The reason for this is simple enough; for all of the concern regarding China's rise, it has not disrupted the system sufficiently to trigger a more acute response from the US. This may be due in part to the wisdom of Deng Xiaoping's guidance for China to bide its time and hide its capabilities given the context in which China is rising. However, it is more certainly due to recognition by Beijing that the system works for China and the CCP does not have a viable alternative with which to contest the current system. Even in scenario three, in which China remains illiberal and surpasses the US in power, China's authoritarian government remains strategically isolated because it is at odds with the dominant liberal values of the international system and the "assumption of enmity" remains a factor. This isolation

constrains China's behavior and helps ensure the survival of the liberal values of the system. In this case, engagement still allows for each side to benefit from economic interdependence and international institutions, if not membership in the democratic "zone of peace." At the same time, hedging quietly ensures the US and its allies and partners are reasonably postured in case engagement falls short in achieving its ends.

### **Conclusions and Recommendations**

The preceding analyses of the US' engage but hedge strategy yields at least three conclusions and associated recommendations worthy of consideration by US policymakers. First, China's rise does not represent an existential ideological threat to the US in the same way that communism under the Soviet Union was presumed to. If anything, China's rise validates the effectiveness of the current liberal international system in enabling states to grow wealthy and to liberalize concurrently. For all the talk of a "Beijing consensus" as an alternative to a "Washington consensus," the CCP has not offered a viable, proven alternative vision to the liberal economic and political vision championed by the United States for the last seven decades. Given the strength of the US' ideological position and the manageable threat level presented by China's rise, the US is justified in supporting engagement as the main thrust of its policy towards China. Liberalizing trends are clearly visible in China, even if the process is occurring more slowly than the US would like. The speed at which the transition occurs is less important than steady, stable progress in a liberalizing direction. Beyond this, engagement supports the proximate objectives of maintaining regional stability and economic prosperity, thereby encouraging Beijing's support for the current system instead of motivating Beijing to find ways to overthrow it.

Second, while acknowledging the likely bumps in the road of China's evolution, the US would be making a mistake to escalate from its current modest hedging against China to a strategy more reminiscent of

containment. The “Pacific Pivot” is probably an appropriate response to the increased assertiveness China has demonstrated since 2009 regarding its disputed territories, but it should represent the high water mark of hedging against China. The US walks a fine line between deterring China’s nationalistic assertiveness, justifying PLA generals’ demands for bigger budgets, and reassuring its allies and partners. As Washington assesses its next steps in the pivot, it should de-emphasize China in its communications, focusing instead on other more acute reasons. North Korean threats against US treaty allies and annual recurring needs for humanitarian assistance and disaster relief throughout the region provide plenty of justification. Better yet, by citing North Korea as a driver of the increased US presence, China has an even greater interest in constraining its client state. Even so, rather than permanently stationing significant capabilities in the region, which would be alarming to China, it would be better to develop the ability to move capabilities rapidly into the theater as needed. This provides flexible capability for a broad range of contingencies in a manner that does not raise security tensions in the region.

Third, so long as China’s success is a result of abiding by the institutional norms of the current international system, the US must be prepared to be magnanimous as China approaches power parity. The successes of states like Brazil, Russia, India, and China—the so-called BRIC states—should be applauded because it supports the preservation of the liberal system. However, where Chinese behaviors indicate a cheating of the system, the US must challenge those behaviors—again, in accordance with the institutional norms of the system. Cheating behaviors include rampant military, industrial and commercial espionage through cyber and other means, failure to respect intellectual property rights, and state-capitalism practices that provide Chinese companies unfair advantages in international markets. Furthermore, the US should not compromise its dedication to core values such as human rights, civil

liberties and democracy to appease CCP sensitivities. Instead, the US should use engaging but hedging to communicate how contrary behaviors will eventually also prove damaging to China's long-term interests. Of particular worth is the idea that in a liberal system, perhaps the greatest obstacle of all to China achieving its goals is its own illiberalism. The US, its regional allies and partners, and the greater international community, will be more prepared to accept China as number one, if China is also perceived as belonging to the club of liberal democracies.

Chinese strategists are fond of citing Sun Tzu's assertion that "to subdue the enemy without fighting is the acme of skill."<sup>1</sup> Indeed, During Hu Jintao's 2006 visit to the US, Hu's personal gift to President Bush was a silk-bound copy of *The Art of War*.<sup>2</sup> Within the context of the US' Global War on Terror, observers opined that Hu's implicit message seemed to be that the US need not always use military force to achieve its policy objectives, that strategic success is possible without fighting. This was excellent advice from the Chinese leader. Indeed, the US' engage but hedge strategic approach to China puts the US in the best position to do just that.

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<sup>1</sup> Griffith, trans., *Sun Tzu: The Illustrated Art of War*, 115.

<sup>2</sup> The Economist, "Sun Tzu and the Art of Soft Power," *The Economist*, December 17, 2011, <http://www.economist.com/node/21541714> (accessed April 24, 2013).

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